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 2018

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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 2018, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month 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 month period ended 31 March 2018, 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: 9 May 2018

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim condensed consolidated statement of financial position (Unaudited)
As at 31 March 2018

(All amounts are in Kuwaiti Dinars)

	Note	31 March 2018	31 December 2017 (audited)	31 March 2017
Assets				
Non-current assets				
Property, plant and equipment	3	158,854,680	160,124,189	161,137,128
Intangible assets		100,396	110,594	124,112
Investment properties		788,654	794,656	812,666
Investments in associates	4	16,667,839	16,628,067	15,744,057
Financial assets at fair value through other comprehensive income	5	64,221,161	-	-
Available for sale financial assets	6	-	55,022,845	48,912,634
		240,632,730	232,680,351	226,730,597
Current assets				
Inventories	7	17,879,038	17,579,349	17,521,561
Receivables and other debit balances	8	33,998,416	35,242,517	32,706,644
Financial assetsat fair value through statement of income	9	-	8,827,808	8,048,583
Cash and cash equivalents	10	19,716,306	11,413,617	24,196,055
		71,593,760	73,063,291	82,472,843
Total assets		312,226,490	305,743,642	309,203,440
Equity and liabilities				
Equity				
Share capital	11	73,330,387	73,330,387	73,330,387
Share premium		26,675,810	26,675,810	26,675,810
Treasury shares	12	(13,521,612)	(13,497,645)	(13,497,645)
Profits on sale of treasury shares		444,678	445,592	445,592
Statutory reserve		47,010,835	47,010,835	45,193,637
Voluntary reserve		42,048,346	42,048,346	40,231,148
General reserve		18,930,128	18,930,128	18,930,128
Other equity items	13	(25,969,368)	(25,995,463)	(28,568,846)
Group's share in associates' reserves		(193,881)	(203,112)	(359,935)
Group's share in foreign currency exchange reserve		93,666	93,702	116,410
Retained earnings		32,121,248	28,437,008	34,743,308
Equity attributable to shareholders of the Parent Company		200,970,237	197,275,588	197,239,994
Non-controlling interests		144,722	144,473	140,047
Total equity		201,114,959	197,420,061	197,380,041
Liabilities				
Non-current liabilities				
Loans, bank facilities and murabaha	14	58,859,216	58,749,216	59,736,256
Provision for employees end of services benefits		2,866,303	2,777,262	2,664,747
		61,725,519	61,526,478	62,401,003
Current liabilities				
Loans, bank facilities and murabaha	14	20,086,516	18,686,515	22,171,196
Payables and other credit balances	15	29,299,496	28,110,588	27,251,200
		49,386,012	46,797,103	49,422,396
Total Liabilities		111,111,531	108,323,581	111,823,399
Total equity and liabilities		312,226,490	305,743,642	309,203,440

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

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim condensed consolidated statement of income (Unaudited)

For the three month period ended 31 March 2018

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March 2018	2017
Sales		25,750,341	26,407,880
Cost of sales	16	(20,602,949)	(20,878,991)
Gross profit		5,147,392	5,528,889
Other operating income	17	75,885	362,920
Selling, general and administrative expenses		(1,399,348)	(1,431,486)
Operating profit		3,823,929	4,460,323
Provision for doubtful debts		(235,350)	(47,093)
Finance charges		(535,209)	(736,449)
Interest income		14,511	7,148
Net investment profits	18	68,216	2,229,343
Group's share of business results from associates	4	30,541	(15,901)
Net profit before deductions		3,166,638	5,897,371
Contribution to Kuwait Foundation for the Advancement of Sciences		(29,077)	(51,267)
National Labour Support Tax		(83,598)	(138,590)
Zakat		(33,134)	(55,436)
Board of directors' remuneration		(52,000)	(47,500)
Net profit for the period		2,968,829	5,604,578
Attributable to:			
Shareholders of the Parent Company		2,967,727	5,601,423
Non-controlling interests		1,102	3,155
Net profit for the period		2,968,829	5,604,578
Basic and diluted earnings per share (fils)	19	4.16	7.85

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

Interim condensed consolidated statement of comprehensive income

For the three month period ended 31 March 2018

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March 2018	2017
Net profit for the period		2,968,829	5,604,578
Other comprehensive income items:			
Items that may be reclassified subsequently to the interim condensed consolidated statement of income:			
Available for sale financial assets:			
Net unrealized profits from available for sale financial assets		-	1,995,483
Transferred to interim condensed consolidated statement of income from sale of available for sale financial assets		-	(1,274,831)
		-	720,652
Investments in associates:			
Group's share in associates' reserves	4	9,231	50,228
Differences of translation of financial statements with foreign currency:			
Group's share in foreign currency exchange reserve		(36)	(752)
Items that will not be reclassified subsequently to the interim condensed consolidated statement of income:			
Financial assets at fair value through other comprehensive income:			
Change in fair value of financial assets at fair value through other comprehensive income		941,623	-
		941,623	-
Total other comprehensive income items for the period		950,818	770,128
Total comprehensive income for the period		3,919,647	6,374,706
Attributable to:			
Shareholders of the Parent Company		3,918,663	6,369,881
Non-controlling interests		984	4,825
		3,919,647	6,374,706

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

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim condensed consolidated statement of changes in equity (Unaudited)
For the three month period ended 31 March 2018

(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 1 January 2017	73,330,387	26,675,810	(13,497,645)	445,592	45,193,637	40,231,148	18,930,128	(29,287,828)	(410,163)	117,162	29,141,885	190,870,113	136,184	191,006,297
Net profit for the period	-	-	-	-	-	-	-	-	-	-	5,601,423	5,601,423	3,155	5,604,578
Total other comprehensive income/(loss) items for the period	-	-	-	-	-	-	-	718,982	50,228	(752)	-	768,458	1,670	770,128
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(962)	(962)
Balance at 31 March 2017	73,330,387	26,675,810	(13,497,645)	445,592	45,193,637	40,231,148	18,930,128	(28,568,846)	(359,935)	116,410	34,743,308	197,239,994	140,047	197,380,041
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 (Note 2)	-	-	-	-	-	-	-	(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

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

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim condensed consolidated statement of cash flows (Unaudited)

For the three month period ended 31 March 2018

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March	
		2018	**2017**
Cash flows generated from operating activities			
Net profit for the period		2,968,829	5,604,578
Adjustments:			
Depreciation and amortization		2,313,560	2,156,129
Provision for doubtful debts		235,350	47,093
Net investment profits	18	(94,020)	(2,256,510)
Finance charges		535,209	736,449
Interest income		(14,511)	(7,148)
Group's share of business results from associates	4	(30,541)	15,901
Provision for employees end of services benefits		89,041	73,314
Net operating profit before working capital changes		6,002,917	6,369,806
Inventories		(299,689)	(1,153,690)
Receivables and other debit balances		809,307	1,149,217
Financial assets at fair value through statement of income		-	379,749
Payables and other credit balances		1,178,338	2,704,115
Net cash generated from operating activities		7,690,873	9,449,197
Cash flows from investing activities			
Paid for the acquisition of property, plant and equipment	3	(1,029,429)	(1,373,516)
Proceeds from sale of property, plant and equipment	3	1,578	32,816
Paid for purchase of financial assets at fair value through other comprehensive income		(387,883)	-
Proceeds on sale of financial asset at fair value through other comprehensive income		959,002	-
Paid for purchase of available for sale financial assets		-	(457,500)
Proceeds on sale of available for sale financial assets		-	4,184,949
Dividend received		94,020	471,020
Interest income received		14,511	7,148
Net cash (used in) / generated from investing activities		(348,201)	2,864,917
Cash flows from financing activities			
Withdrawn from loans, bank facilities and murabaha		2,000,000	128,072
Paid for bank loans, facilities and murabaha		(490,000)	(490,302)
Finance charges paid		(517,949)	(672,931)
Dividend payments		(6,729)	(38,351)
Net change in non-controlling interests		(424)	(962)
Paid for purchase of treasury shares		(26,891)	-
Proceed from sale of treasury shares		2,010	-
Net cash generated from/(used in) financing activities		960,017	(1,074,474)
Net increase in cash and cash equivalents		8,302,689	11,239,640
Cash and cash equivalents at beginning of the period		11,413,617	12,956,415
Cash and cash equivalents at the end of the period	10	19,716,306	24,196,055

The accompanying notes are an integral part of this interim condensed consolidated 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 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. Construction of factories and laboratories needed for achieving company's objectives.
3. Dealing in all types of products, materials, tools and machinery relating to the Company's activity and transferring them locally or abroad.
4. The 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.
5. Utilizing the financial surpluses of the Company by investing and developing them locally and globally in financial and real estate portfolios and investing the Company's funds by participating in incorporation of companies of all types and with different purposes and in investment funds, inside the State of Kuwait or abroad, to be managed by specialized companies and entities.

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").

				Percentage of ownership (%)		
Name of the Company:	**Legal entity**	**Principal activity**	**Country of Incorporation**	**31 March 2018**	**31 December 2017**	**31 March 2017**
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 month period ended 31 March 2018. The total assets of subsidiaries amounted to KD 39,576,845 as at 31 March 2018 (31 December 2017: KD 38,791,337 and 31 March 2017: 35,482,073) and net profits amounted to KD 176,359 for the three month period ended 31 March 2018 (For the three month period ended 31 March 2017: KD 770,708).

The accompanying interim condensed consolidated financial information was authorized for issue by Parent Company's board of directors' on 9 May 2018.

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 2018 are not necessarily indicative of the results that may be expected for the year ending 31 December 2018. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2017.

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 2017 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

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

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

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

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

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

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

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

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

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

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 2017.

The changes in accounting policies are also expected to be reflected in the Group's financial statements for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 "Revenue from Contracts with Customers" (see A below) and IFRS 9 "Financial Instruments" (see B below) from 1 January 2018. Certain adjustments is effective from 1 January 2018 but it does not have a material effect on the interim condensed consolidated financial information.

a. IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

The Group's adoption of IFRS 15 on 1 January 2018 has not resulted in any significant impact on the Group's the financial statements as at 31 December 2017 and condensed consolidated interim financial information for the three month period from 31 March 2018 since most of the Group's revenues under the scope of IFRS 15 are represented in sale of goods which are satisfied at a point in time typically on delivery of the products as the Group predominantly manufactures those products to specific orders.

The Group's other income types are mainly represented in net investment income and other income fall outside the scope of IFRS 15.

b. IFRS 9: Financial Instruments

IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items. This Standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The following table summarises the impact of transition to IFRS 9 on the opening balance of retained earnings (for a description of the transition method, see note below).

	Notes	Impact of adoption of IFRS 9
Change of fair value reserve	13	599,800
Provision for doubtful debts	8	(199,444)
Retained earnings (net)		400,356

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i Classification and measurement of the financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale financial assets.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as financial asset recognized at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not recognized at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets carried at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see A (B) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impact of adoption of IFRS 9 on the carrying amounts of the financial assets at 1 January 2018 is further described below.

The following table and accompanying notes show reconciliation of original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for each category of financial assets of the Groupas at 1 January 2018.

	Note	Original Classification Under IAS 39	New classification Under IFRS 9	Original carrying amount under IAS 39	New carrying value Under IFRS 9	Impact of adoption of IFRS 9
Financial assets						
Cash and cash equivalents		Loans and receivables	Amoritsed cost	11,413,617	11,413,617	-
Equity shares	a)	Fair value through profit or loss	Fair value through other comprehensive income - Equity instruments	8,827,808	8,827,808	599,800
Receivables and other debit balances	b.	Loans and receivables	Amoritsed cost	35,242,517	35,043,073	(199,444)
Equity shares	c)	Availiable for sale	Fair value through other comprehensive income - Equity instruments	55,022,845	55,022,845	-

a) Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. As at 1 January 2018, and as a result of the adoption of IFRS 9, the management issued irrevocable decision recognizing the changes in FVOCI other than FVTPL as it is strategic investments. Such changes are more relevant to the other comprehensive income as deemed by the Group.

b) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of KD 199,444 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9. There are no trade and other receivables were recognised at 1 January 2018 on the adoption of IFRS 15.

c) These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

ii Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of cash and cash equivalents, term deposits, receivables and other debit balances.

Under IFRS 9, loss allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:
- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities, bank balances, and term deposits for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure; using the simplified approach, loss allowances for receivables and other debit balances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in interim condensed consolidated statement of income.

Impact of the new impairment model
For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment requirements at 1 January 2018 results in an additional impairment allowance of KD 199,444 (Note 8).

Receivables
The ECLs were calculated based on actual credit loss experience over the past 3-5 years. The Group performed the calculation of ECL rates for its customers.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry, delinquency status, age of relationship and type of product purchased where applicable.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

On 1 January 2018, as a result of the adoption of IFRS 9, the Group recognized an additional allowance for the doubtful debts of KD 199,444.

iii Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

3. Property, plant and equipment

	31 March 2018	31 December 2017 (audited)	31 March 2017
Net carrying value at beginning of period/year/period	160,124,189	161,937,752	161,937,752
Additions	1,029,429	7,169,515	1,373,516
Disposals	(1,578)	(153,865)	(32,816)
Foreign currency exchange differences	-	(7,226)	-
Depreciation for the period / year / period	(2,297,360)	(8,821,987)	(2,141,324)
Net carrying value at end of the period/year/period	158,854,680	160,124,189	161,137,128

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

			Carrying value		
	Country of incorporation	Voting rights and ownership percentage %	31 March 2018	31 December 2017 (audited)	31 March 2017
Kuwait Rocks Co. K.S.C.C.	State of Kuwait	30.00	-	-	-
Marine Contracting and Services Co. K.P.S.C.	State of Kuwait	33.39	16,667,839	16,628,067	15,744,057
			16,667,839	16,628,067	15,744,057

Movement on investment in associates was as follows:

	31 March 2018	31 December 2017 (audited)	31 March 2017
Balance at the beginning of the period /year / period	16,628,067	15,709,730	15,709,730
Group's share of business results from associates	30,541	711,286	(15,901)
Group's share in associates' reserves	9,231	207,051	50,228
Balance at the end of the period / year / period	16,667,839	16,628,067	15,744,057

The Group's share in the results of associates business are recorded based on the audited financial statements for the year ended 31 December 2017.

5. Financial assets at fair value through other comprehensive income

	31 March 2018	31 December 2017 (audited)	31 March 2017
Quoted securities	47,486,987	-	-
Unquoted securities	5,262,451	-	-
Funds and portfolios	11,471,723	-	-
	64,221,161	-	-

The quoted investments include investments of KD 20,218,122 as at 31 March 2018 in the shares of National Industries Group Holding K.P.S.C., which is one of the major shareholders in the Group (31 December 2017: KD 20,353,814 and 31 March 2017: KD 17,368,588).

6. Available for sale financial assets

	31 March 2018	31 December 2017 (audited)	31 March 2017
Quoted shares	-	47,291,462	44,695,626
Unquoted shares	-	5,001,009	3,491,106
Foreign Funds	-	2,730,374	725,902
	-	55,022,845	48,912,634

As at 1 January 2018, the Group adopted IFRS 9. Accordingly, it has reclassified available for sale financial assets at carrying value of KD 55,022,845 to financial assets at fair value through other comprehensive income (Note 2 B (1)).

7. Inventories

	31 March 2018	31 December 2017 (audited)	31 March 2017
Raw materials	17,261,980	16,904,918	16,831,514
Finished goods	617,058	674,431	690,047
	17,879,038	17,579,349	17,521,561

8. Receivables and other debit balances

	31 March 2018	31 December 2017 (audited)	31 March 2017
Amounts under collection at banks	1,102,862	917,353	543,090
Receivables against unconditional bank guarantees	3,897,851	4,466,633	4,135,555
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	3,218,083	5,922,640	5,838,707
Related parties (note 21)	1,542,778	1,170,507	1,906,005
Other trade receivables	22,996,923	22,379,026	19,171,339
Total trade receivables	32,758,497	34,856,159	31,594,696
Other receivables	1,837,321	1,682,006	1,766,461
	34,595,818	36,538,165	33,361,157
Provision for doubtful debts	(4,071,030)	(3,636,236)	(3,145,357)
	30,524,788	32,901,929	30,215,800
Prepaid expenses	907,819	490,029	772,290
Notes receivables	2,565,809	1,850,559	1,718,554
	33,998,416	35,242,517	32,706,644

The following is the movement on the provision for doubtful debts:

	31 March 2018	31 December 2017 (audited)	31 March 2017
Balance at the beginning ofthe period / year / period	3,636,236	3,098,264	3,098,264
Impact of adoption of IFRS 9 (Note 2 B (2))	199,444	-	-
Charged during the period / year / period	235,350	626,740	47,093
Bad debts during the period / year/ period	-	(85,170)	-
Exchange differences	-	(3,598)	-
Balance at the end ofthe period / year / period	4,071,030	3,636,236	3,145,357

9. Financial assets at fair value through statement of income

	31 March 2018	31 December 2017 (audited)	31 March 2017
Local investments	-	1,020,601	1,063,652
Foreign investments	-	7,807,207	6,984,931
	-	8,827,808	8,048,583

As at 1 January 2018, the Group adopted IFRS 9. Accordingly, it has reclassified financial assets at fair value through statement of income at carrying value of KD 8,827,808 to financial assets at fair value through other comprehensive income (Note 2 B (1)).

10. Cash and cash equivalents

	31 March 2018	31 December 2017 (audited)	31 March 2017
Cash on hand and at bank	8,513,152	10,073,629	14,784,262
Cash at investment portfolios	785,964	336,326	7,291,866
Bank deposits	10,417,190	1,003,662	2,119,927
Cash and cash equivalents	19,716,306	11,413,617	24,196,055

The average effective interest rate on bank deposits was 1.5% as at 31 March 2018 (31 December 2017: 1.5% and 31 March 2017: 0.750%).

11. 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 2018, 31 December 2017 and 31 March 2017, each of a nominal value of 100 fils. All shares are in cash.

12. Treasury shares

	31 March 2018	31 December 2017 (audited)	31 March 2017
Number of shares (No's)	20,255,774	20,200,729	20,200,729
Percentage to issued shares (%)	2.76	2.75	2.75
Market value (KD)	9,486,699	9,474,142	10,504,379

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.

13. Other equity items

	Fair value reserve from financial assets at fair value through other comprehensive income	Change of fair value reserve	Total
At 31 December 2017 ("as previously recognised")	-	(25,995,463)	(25,995,463)
Impact of adoption of IFRS 9 (note 2 B (1))	(26,595,263)	25,995,463	(599,800)
At 1 January 2018 ("restated")	(26,595,263)	-	(26,595,263)
Total comprehensive income for the period	625,895	-	625,895
At 31 March 2018	(25,969,368)	-	(25,969,368)
At 1 January 2017	-	(29,287,828)	(29,287,828)
Total comprehensive income for the period	-	718,982	718,982
At 31 March 2017	-	(28,568,846)	(28,568,846)

14. Loans, bank facilities and murabaha

	31 March 2018	31 December 2017 (audited)	31 March 2017
Non-current portion			
Loans	27,530,000	28,930,000	28,373,409
Murabaha	31,329,216	29,819,216	31,362,847
	58,859,216	58,749,216	59,736,256
Current portion			
Loans	8,211,972	6,811,973	9,038,000
Murabaha	11,874,544	11,874,542	13,133,196
	20,086,516	18,686,515	22,171,196
Total loans, bank facilities and murabaha	78,945,732	77,435,731	81,907,452

The average effective interest rate on the loans, bank facilities and Murabaha was 3.700% as at 31 March 2018 (31 December 2017: 3.625% and 31 March 2017: 3.500%).

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 12,139,616 as at 31 March 2018 (31 December 2017: KD 12,481,819, and 31 March 2017: KD 13,508,429).

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 (1:8) and the ratio of operating profit to interests not be less than (1:2) 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).

15. Payables and other credit balances

	31 March 2018	31 December 2017 (audited)	31 March 2017
Suppliers	22,338,015	20,976,523	19,896,265
Accrued interest and expenses	3,357,499	2,961,732	3,092,430
Notes payable	638,777	1,165,399	1,005,308
Clients - advance payments	752,328	747,327	958,472
payable cash dividends	689,281	696,010	633,576
Retention	567,201	567,201	567,201
Contribution to Kuwait Foundation for the Advancement of Sciences	192,547	361,181	245,187
National Labour Support Tax	536,119	452,521	590,501
Zakat	193,197	172,293	249,449
Other	34,532	10,401	12,811
	29,299,496	28,110,588	27,251,200

16. Cost of sales

	Three months ended 31 March	
	2018	**2017**
Raw material	17,106,656	17,889,335
Change in finished goods	65,052	(86,655)
Salaries and benefits	1,167,862	1,187,733
Rent	109,976	170,281
Maintenance and spare parts	1,236,280	843,658
Depreciation & amortization	748,962	602,572
Other	168,161	272,067
	20,602,949	20,878,991

17. Other operating income

	Three months ended 31 March	
	2018	**2017**
Net income from investment properties	30,296	26,155
Net profits/(losses) from exchange differences	30,747	(32,932)
Other income	14,842	369,697
	75,885	362,920

18. Net investment profits

	Three months ended 31 March	
	2018	**2017**
Financial assets at fair value through statement of income:		
Unrealised profits	-	274,097
Available for sale financial assets:		
Realized gains	-	1,514,746
Cash dividends	-	471,020
Impairment	-	(3,353)
Portfolio management fees	-	(27,167)
	-	1,955,246
Financial assets at fair value through other comprehensive income:		
Cash dividends	94,020	-
Portfolio management fees	(25,804)	-
	68,216	-
	68,216	2,229,343

19. 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	
	2018	**2017**
Net profit for the period attributable to shareholders of the Parent Company	2,967,727	5,601,423
Weighted average number of outstanding shares during the period (shares)	713,076,368	713,103,141
Basic and diluted earnings per share (fils)	4.16	7.85

20. Dividends

On 25 April 2018, the General Assembly of shareholders approved cash dividends of 20 fils per share of the paid share capital after deducting treasury shares for 2017 (2016: 20 fils).

21. 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 2018. 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:

	Three months ended 31 March	
	2018	**2017**
Transactions		
Sales	719,835	738,581
Directors' remuneration	52,000	47,500
Committees' fees	37,500	30,000
Senior management salaries and benefits	152,870	156,765

	31 March 2018	**31 December 2017 (audited)**	**31 March 2017**
Balances			
Receivables and other debit balances (note 8)	1,542,778	1,170,507	1,906,005
Provision for employees end of services benefits	490,120	489,577	487,920

All transactions with related parties are subject to the approval of the shareholders of the General Assembly.

22. Contingent liabilities and capital commitments

	31 March 2018	31 December 2017 (audited)	31 March 2017
Contingent liabilities			
Letters of guarantee	573,633	573,633	424,383
Capital commitments			
Letters of Credit	1,910,156	1,848,583	41,437
Uncalled subscription relating to investments in funds	321,972	321,972	321,972
Contracts for importing raw materials	18,062,745	16,288,435	14,998,261
Property, plant and equipment	696,324	681,635	709,917

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.

23. 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:

	2018			2017		
	Manufacturing sector	Investment Sector	Total	Manufacturing sector	Investment Sector	Total
Segments revenues	25,765,183	129,053	25,894,236	26,422,577	2,239,597	28,662,174
Total segments profit	3,558,283	129,053	3,687,336	4,387,075	2,239,597	6,626,672
Segments assets	229,762,872	82,463,618	312,226,490	228,393,634	80,809,806	309,203,440
Adjustments:						
Gross segments profit			3,687,336			6,626,672
Finance charges			(535,209)			(736,449)
Interest income			14,511			7,148
			3,166,638			5,897,371