



شركة أسمنت الكويت
KUWAIT CEMENT COMPANY

Kuwait Cement Company
Kuwait Public Shareholding Company
and its subsidiaries
State of Kuwait

Interim Condensed Consolidated Financial Information (Unaudited)
And the Review Report for the Six Months Ended 30 June 2018



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Kuwait Cement Company
Kuwait Public Shareholding Company
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 30 June 2018, and the related interim condensed consolidated 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 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

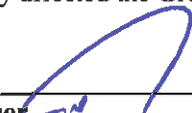
We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons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

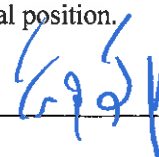
Conclusion

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 six month period ended 30 June 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.


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Kuwait: 8 August 2018

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



**Interim condensed consolidated statement of financial position as at 30 June 2018
(Unaudited)**

		30 June 2018	31 December 2017 (audited)	30 June 2017
Assets	Notes			
Non-current assets				
Property, plant and equipment	3	158,854,577	160,124,189	160,114,920
Intangible assets		90,084	110,594	114,871
Investment properties		782,651	794,656	806,663
Investments in associates	4	15,910,951	16,628,067	15,967,158
Financial assets at fair value through other comprehensive income	5	67,829,751	-	-
Available for sale financial assets	6	-	55,022,845	45,836,043
		<u>243,468,014</u>	<u>232,680,351</u>	<u>222,839,655</u>
Current assets				
Inventories	7	20,068,635	17,579,349	20,298,940
Receivables and other debit balances	8	32,941,877	35,242,517	36,321,329
Financial assets at fair value through statement of income	9	-	8,827,808	8,403,184
Cash and cash equivalents	10	9,106,680	11,413,617	12,810,312
		<u>62,117,192</u>	<u>73,063,291</u>	<u>77,833,765</u>
Total assets		<u>305,585,206</u>	<u>305,743,642</u>	<u>300,673,420</u>
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	(13,528,077)	(13,497,645)	(13,497,645)
Profits on sale of treasury shares		441,409	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	(22,000,825)	(25,995,463)	(32,400,813)
Group's share in associates' reserves		190,146	(203,112)	(315,512)
Group's share in foreign currency exchange reserve		116,415	93,702	116,137
Retained earnings		<u>21,349,233</u>	<u>28,437,008</u>	<u>24,861,161</u>
Equity attributable to shareholders of the Parent Company		<u>194,563,807</u>	<u>197,275,588</u>	<u>183,570,030</u>
Non-controlling interests		<u>152,065</u>	<u>144,473</u>	<u>137,975</u>
Total equity		<u>194,715,872</u>	<u>197,420,061</u>	<u>183,708,005</u>
Liabilities				
Non-current liabilities				
Loans, bank facilities and murabaha	14	66,656,668	58,749,216	63,230,786
Provision for employees end of services benefits		2,966,758	2,777,262	2,742,211
		<u>69,623,426</u>	<u>61,526,478</u>	<u>65,972,997</u>
Current liabilities				
Loans, bank facilities and murabaha	14	14,322,124	18,686,515	23,006,480
Payables and other credit balances	15	26,923,784	28,110,588	27,985,938
		<u>41,245,908</u>	<u>46,797,103</u>	<u>50,992,418</u>
Total Liabilities		<u>110,869,334</u>	<u>108,323,581</u>	<u>116,965,415</u>
Total equity and liabilities		<u>305,585,206</u>	<u>305,743,642</u>	<u>300,673,420</u>

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

Rashed Abdulaziz Al-Rashed
Chairman

Dr. Abdulaziz Rashed Al-Rashed
Vice Chairman

Interim Condensed Consolidated Statement of Income for the Six Months Ended 30 June 2018
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2018	2017	2018	2017
Sales		22,398,051	22,857,513	48,148,392	49,265,393
Cost of sales	16	(19,276,218)	(17,894,275)	(39,879,167)	(38,773,266)
Gross profit		3,121,833	4,963,238	8,269,225	10,492,127
Other operating income	17	83,955	109,262	159,840	472,182
Selling, general and administrative expenses		(1,136,120)	(1,032,364)	(2,535,468)	(2,463,850)
Operating profit		2,069,668	4,040,136	5,893,597	8,500,459
Provision for doubtful debts		2,907	(47,093)	(232,443)	(94,186)
Finance charges		(895,250)	(877,390)	(1,430,459)	(1,613,839)
Interest income		22,346	15,740	36,857	22,888
Net investment profits	18	2,645,144	1,303,254	2,713,360	3,532,597
Group's share of business results from associates	4	85,872	178,678	116,413	162,777
Net profit before deductions		3,930,687	4,613,325	7,097,325	10,510,696
Contribution to Kuwait Foundation for the Advancement of Sciences		(37,380)	(41,177)	(66,457)	(92,444)
National Labour Support Tax		(30,363)	(102,361)	(113,961)	(240,951)
Zakat		(11,286)	(40,944)	(44,420)	(96,380)
Board of directors' remuneration		(52,000)	(47,500)	(104,000)	(95,000)
Net profit for the period		3,799,658	4,381,343	6,768,487	9,985,921
Attributable to:					
Shareholders of the Parent Company		3,797,545	4,379,916	6,765,272	9,981,339
Non-controlling interests		2,113	1,427	3,215	4,582
Net profit for the period		3,799,658	4,381,343	6,768,487	9,985,921
Basic and diluted earnings per share (Fils)	19	5.33	6.14	9.49	14.00

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

Interim Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2018
(Unaudited)

(All amounts are in Kuwaiti Dinars)

Notes	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Net profit for the period	3,799,658	4,381,343	6,768,487	9,985,921
Other comprehensive income items:				
<i>Items that may be reclassified subsequently in the interim condensed consolidated statement of income:</i>				
Available for sale financial assets:				
Net unrealized losses from available for sale financial assets	-	(3,355,876)	-	(1,360,393)
Transferred to interim condensed consolidated statement of income from sale of available for sale financial assets	-	(479,590)	-	(1,754,421)
	-	(3,835,466)	-	(3,114,814)
Investments in associates:				
Group's share in associates' reserves	384,027	44,423	393,258	94,651
Differences of translation of financial statements with foreign currency:				
Group's share in foreign currency exchange reserve	22,922	(273)	22,886	(1,025)
<i>Items that will not be reclassified subsequently to the interim condensed consolidated statement of income:</i>				
Financial assets at fair value through other comprehensive income:				
Change in fair value of financial assets at fair value through other comprehensive income	4,128,084	-	5,069,707	-
Total other comprehensive income/(loss) items for the period	4,535,033	(3,791,316)	5,485,851	(3,021,188)
Total comprehensive income for the period	8,334,691	590,027	12,254,338	6,964,733
Attributable to:				
Shareholders of the Parent Company	8,327,347	592,099	12,246,010	6,961,980
Non-controlling interests	7,344	(2,072)	8,328	2,753
Total comprehensive income for the period	8,334,691	590,027	12,254,338	6,964,733

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

Kuwait Cement Company
Kuwait Public Shareholding Company
and its subsidiaries
State of Kuwait



شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Changes in Equity for the Six Months Ended 30 June 2018
(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 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	-	-	-	-	-	-	-	-	-	-	9,981,339	9,981,339	4,582	9,985,921
Total other comprehensive (loss)/ income items for the period	-	-	-	-	-	-	-	(3,112,985)	94,651	(1,025)	(14,262,063)	(3,019,359)	(1,829)	(3,021,188)
Cash dividends (Note 20)	-	-	-	-	-	-	-	-	-	-	(14,262,063)	(14,262,063)	-	(14,262,063)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(962)	(962)
Balance at 30 June 2017	73,330,387	26,675,810	(13,497,645)	445,592	45,193,637	40,231,148	18,930,128	(32,400,813)	(315,512)	116,137	24,861,161	183,570,030	137,975	183,708,005
Balance at 31 December 2017	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
("As previously stated")	-	-	-	-	-	-	-	(599,800)	-	-	(62,565)	(662,365)	(311)	(662,676)
Impact of adoption of IFRS 9 at 1 January 2018 (Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 1 January 2018	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 (Note 20)	-	-	-	-	-	-	-	-	-	-	(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

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

Interim Condensed Consolidated Statement of Cash Flows for the Six Months Ended 30 June 2018
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Six months ended 30 June	
		2018	2017
Cash flows from operating activities			
Net profit for the period		6,768,487	9,985,921
Adjustments:			
Depreciation and amortization		4,379,086	4,337,508
Provision for doubtful debts		232,443	94,186
Net investment profits	18	(2,764,584)	(3,588,776)
Finance charges		1,430,459	1,613,839
Interest income		(36,857)	(22,888)
Group's share of business results from associates	4	(116,413)	(162,777)
Provision for employees end of services benefits		189,496	150,778
Net operating profit before working capital changes		10,082,117	12,407,791
Inventories		(2,489,286)	(3,931,069)
Receivables and other debit balances		1,868,753	(2,512,561)
Financial assets at fair value through statement of income		-	425,755
Payables and other credit balances		(1,569,902)	3,295,427
Net cash generated from operating activities		7,891,682	9,685,343
Cash flows from investing activities			
Paid for purchase of property, plant and equipment	3	(3,048,903)	(2,553,489)
Proceeds from sale of property, plant and equipment	3	11,363	68,862
Paid for purchase of available for sale financial assets		-	(852,684)
Paid for purchase of financial assets at fair value through other comprehensive income		(820,414)	-
Proceeds on sale of available for sale financial assets		-	4,247,381
Proceeds on sale of financial assets at fair value through other comprehensive income		1,911,195	-
Dividend received		3,528,139	976,556
Interest income received		36,857	22,888
Net cash generated from investing activities		1,618,237	1,909,514
Cash flows from financing activities			
Withdrawn from loans, bank facilities and murabaha		10,498,000	12,257,568
Paid for loans, bank facilities and murabaha		(6,972,407)	(8,339,924)
Finance charges paid		(1,407,884)	(1,591,185)
Dividend payments		(13,899,525)	(14,066,457)
Net change in non-controlling interests		(425)	(962)
Paid for purchase of treasury shares		(43,369)	-
Proceed from sale of treasury shares		8,754	-
Net cash used in financing activities		(11,816,856)	(11,740,960)
Net decrease in cash and cash equivalents		(2,306,937)	(146,103)
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	9,106,680	12,810,312

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

Notes to the Interim Condensed Consolidated Financial Information for the Six Months Ended 30 June 2018
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

1. Incorporation and activities

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

The Company's objectives are as follows:

1. Establishing a project for the production of ordinary cement, sulphate resisting portland cement and portland cement for industrial purposes and all kinds of cement at large.
2. 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 interim condensed consolidated 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 2018	31 December 2017	30 June 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 interim condensed consolidated financial information for the six months period ended 30 June 2018. The subsidiaries' total assets amounted to KD 42,614,465 as at 30 June 2018 (31 December 2017: KD 38,791,337 and 30 June 2017: KD 36,095,436), and their net profits amounted to KD 231,199 for the six months period ended 30 June 2018 (The six months period ended 30 June 2017: KD 1,103,543).

The accompanying interim condensed consolidated financial information was authorized for issue by Parent Company's board of directors' on 8 August 2018.

Notes to the Interim Condensed Consolidated Financial Information for the Six Months Ended 30 June 2018
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

2. Significant accounting policies

2.1 Basis of preparation

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

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

In the opinion of the management all adjustments (including recurring accruals) have been included in the interim condensed consolidated financial information. The operating results for the six months period ended 30 June 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. The interim condensed consolidated financial information for the period ended 31 March 2018 is the Group's first financial information, 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, income 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:

Notes to the Interim Condensed Consolidated Financial Information for the Six Months Ended 30 June 2018
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

- 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 this 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 are 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 financial statements as at 31 December 2017 and the interim condensed consolidated financial information for the six months period ended 30 June 2018, where most of the Group's revenues fallen under IFRS 15 are represented in sale of goods at time point, specifically, when providing the products, where the Group manufactures such products mostly against specified orders.

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

Notes to the Interim Condensed Consolidated Financial Information for the Six Months Ended 30 June 2018
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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 equity (for a description of the transition method, see note below).

	Note	Impact of adoption of IFRS 9
Change of fair value reserve	13	599,800
Provision for doubtful debts	8	(199,444)
Investments in associates	4	(463,232)
Accumulated losses (Net)		<u>(62,876)</u>

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 had no significant impact 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; fair value through other comprehensive income – debt investment; fair value through other comprehensive income – equity investment; or fair value through profit or loss. 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 fair value through profit or loss:

- 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 fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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- 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 fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as financial asset recognized at fair value through profit or loss 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 fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

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

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
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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.
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Debt investments at fair value through other comprehensive income	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.
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Equity investments at fair value through other comprehensive income	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.
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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 Group as at 1 January 2018.

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	Notes	Original Classification Under IAS 39	New classification Under IFRS 9	Original carrying amount under IAS 39	New carrying value under IFRS 9 and	Impact of adoption of IFRS 9
Financial assets						
Cash and cash equivalents		Loans and receivables	Amortised 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	Amortised cost	35,242,517	35,043,073	(199,444)
Equity shares	c)	Available 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 fair value through profit or loss 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) Receivables and other debit balances 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 fair value through other comprehensive income. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

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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 fair value through other comprehensive income, 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 receivables and other debit balances and cash and cash equivalents.

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.

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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 receivables and other debit balances, 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 adoption of IFRS 9, the Group recognized an additional allowance for the doubtful debts of KD 199,444 (Note 8).

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 are measured at fair value through profit or loss.
- The designation of certain investments in equity instruments not held for trading as at fair value through other comprehensive income.

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(Unaudited)

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3. Property, plant and equipment

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Net carrying value at beginning of period/year/period	160,124,189	161,937,752	161,937,752
Additions	3,048,903	7,169,515	2,553,489
Disposals	(11,363)	(153,865)	(68,862)
Foreign currency exchange differences	39,419	(7,226)	-
Depreciation for the period/year/period	(4,346,571)	(8,821,987)	(4,307,459)
Net carrying value at end of the period/year/period	<u>158,854,577</u>	<u>160,124,189</u>	<u>160,114,920</u>

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

4. Investments in associates

<u>Name of the associate</u>	<u>Country of incorporation</u>	<u>Voting rights and ownership percentage %</u>	<u>Carrying value</u>		
			<u>30 June 2018</u>	<u>31 December 2017 (Audited)</u>	<u>30 June 2017</u>
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	15,910,951	16,628,067	15,967,158
			<u>15,910,951</u>	<u>16,628,067</u>	<u>15,967,158</u>

Movement on investment in associates was as follows:

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Balance at beginning of the period/year/period	16,628,067	15,709,730	15,709,730
Impact of adoption of IFRS 9 (Note 2 B (ii))	(463,232)	-	-
Group's share of business results from associates	116,413	711,286	162,777
Group's share in associates' reserves	393,258	207,051	94,651
Cash dividends received	(763,555)	-	-
Balance at end of the period/year/period	<u>15,910,951</u>	<u>16,628,067</u>	<u>15,967,158</u>

The Group's share in results of associates' business is recognized based on the interim condensed consolidated financial information (Unaudited) for the period ended 31 March 2018.

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(Unaudited)

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5. Financial assets at fair value through other comprehensive income

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Quoted securities	51,569,043	-	-
Unquoted securities	4,940,697	-	-
Funds and portfolios	11,320,011	-	-
	<u>67,829,751</u>	<u>-</u>	<u>-</u>

The quoted financial assets include financial assets of KD 21,846,427 as at 30 June 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 Nil, and 30 June 2017: KD Nil).

6. Available for sale financial assets

	30 June 2017	31 December 2017 (Audited)	30 June 2018
Quoted shares	-	47,291,462	40,854,386
Unquoted shares	-	5,001,009	4,380,130
Foreign Funds	-	2,730,374	601,527
	<u>-</u>	<u>55,022,845</u>	<u>45,836,043</u>

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

The quoted investments include investments of KD Nil as at 30 June 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 30 June 2017: KD 15,333,207).

7. Inventories

	30 June 2017	31 December 2017 (Audited)	30 June 2018
Raw materials	19,269,358	16,904,918	19,453,310
Finished goods	799,277	674,431	845,630
	<u>20,068,635</u>	<u>17,579,349</u>	<u>20,298,940</u>

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(Unaudited)

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8. Receivables and other debit balances

	30 June 2017	31 December 2017 (Audited)	30 June 2018
Amounts under collection at banks	827,901	917,353	587,652
Receivables against unconditional bank guarantees Ministry of Commerce - difference from subsiding cement and ready made concrete to the public	4,039,293	4,466,633	4,157,546
Related parties (Note 21)	4,273,411	5,922,640	7,467,569
Other trade receivables	1,475,495	1,170,507	1,482,934
Total trade receivables	21,511,756	22,379,026	21,861,690
Other receivables	32,127,856	34,856,159	35,557,391
Provision for doubtful debts	1,718,913	1,682,006	1,751,623
	33,846,769	36,538,165	37,309,014
	(4,071,722)	(3,636,236)	(3,192,450)
	29,775,047	32,901,929	34,116,564
Prepaid expenses	824,144	490,029	643,764
Notes receivables	2,342,686	1,850,559	1,561,001
	32,941,877	35,242,517	36,321,329

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

	30 June 2017	31 December 2017 (Audited)	30 June 2018
Balance at the beginning of the period/year/period	3,636,236	3,098,264	3,098,264
Impact of adoption of IFRS 9 (Note 2 B (ii))	199,444	-	-
Charged during the period/year/period	232,443	626,740	94,186
Bad debts during the period/year/period	-	(85,170)	-
Foreign currency exchange differences	3,599	(3,598)	-
Balance at the end of the period/year/period	4,071,722	3,636,236	3,192,450

9. Financial assets at fair value through statement of income

	30 June 2017	31 December 2017 (Audited)	30 June 2018
Local financial assets	-	1,020,601	1,024,846
Foreign financial assets	-	7,807,207	7,378,338
	-	8,827,808	8,403,184

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

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10. Cash and cash equivalents

	30 June 2017	31 December 2017 (Audited)	30 June 2018
Cash on hand and at banks	7,948,703	10,073,629	3,945,841
Cash at investment portfolios	739,323	336,326	7,444,685
Bank deposits	418,654	1,003,662	1,419,786
Cash and cash equivalents	<u>9,106,680</u>	<u>11,413,617</u>	<u>12,810,312</u>

The average effective annual interest rate on bank deposits was 1.5% as at 30 June 2018 (31 December 2017: 1.5% and 30 June 2017: 0.750%).

11. Share capital

The authorized, issued, and fully paid capital is KD 73,330,387 divided into 733,303,870 shares as at 30 June 2018 and 31 December 2017 and 30 June 2017, each of a nominal value of 100 Fils. All shares are cash shares.

12. Treasury shares

	30 June 2017	31 December 2017 (Audited)	30 June 2018
Number of shares (Share)	20,250,907	20,200,729	20,200,729
Percentage of issued shares (%)	2.76	2.75	2.75
Market value (KD)	10,024,199	9,474,142	9,494,342

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 (i))	(26,595,263)	25,995,463	(599,800)
At 1 January 2018 ("Restated")	(26,595,263)	-	(26,595,263)
Total other comprehensive income for the period	4,594,438	-	4,594,438
At 30 June 2018	<u>(22,000,825)</u>	<u>-</u>	<u>(22,000,825)</u>
At 1 January 2017	-	(29,287,828)	(29,287,828)
Total other comprehensive loss for the period	-	(3,112,985)	(3,112,985)
At 30 June 2017	<u>-</u>	<u>(32,400,813)</u>	<u>(32,400,813)</u>

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14. Loans, bank facilities and murabaha

	30 June 2017	31 December 2017 (Audited)	30 June 2018
Non-current portion			
Loans	31,528,000	28,930,000	28,383,905
Murabaha	35,128,668	29,819,216	34,846,881
	<u>66,656,668</u>	<u>58,749,216</u>	<u>63,230,786</u>
Current portion			
Loans	5,192,973	6,811,973	11,638,000
Murabaha	9,129,151	11,874,542	11,368,480
	<u>14,322,124</u>	<u>18,686,515</u>	<u>23,006,480</u>
Total loans, bank facilities and murabaha	<u>80,978,792</u>	<u>77,435,731</u>	<u>86,237,266</u>

The average effective interest rate on loans, bank facilities and murabaha was 3.5% as at 30 June 2018 (31 December 2017: 3.625% and 30 June 2017: 3.500%).

Certain loans are secured by the whole official location and extensions of the Parent Company's factory with book value of KD 11,797,412 as at 30 June 2018 (31 December 2017: KD 12,481,819, and 30 June 2017: KD 13,166,226).

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).

15. Payables and other credit balances

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Suppliers	20,969,712	20,976,523	21,641,054
Retention	48,927	567,201	567,201
Accrued interest and expenses	2,285,798	2,961,732	1,915,278
Notes payable	1,447,438	1,165,399	1,543,938
Clients - advance payments	712,948	747,327	802,620
Accrued cash dividends	1,057,296	696,010	867,534
Contribution to Kuwait Foundation for the Advancement of Sciences	230,426	361,181	288,523
National Labour Support Tax	113,961	452,521	240,951
Zakat	46,755	172,293	106,026
Other	10,523	10,401	12,813
	<u>26,923,784</u>	<u>28,110,588</u>	<u>27,985,938</u>

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16. Cost of sales

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Raw material	16,307,056	14,764,682	33,413,713	32,654,017
Change in finished goods	(182,218)	(155,585)	(117,166)	(242,240)
Salaries and benefits	1,274,660	1,173,040	2,442,522	2,360,773
Rent	64,345	164,534	174,321	334,815
Maintenance and spare parts	1,135,816	1,109,378	2,372,096	1,953,036
Depreciations and amortizations	498,508	612,195	1,247,470	1,214,767
Other	178,051	226,031	346,211	498,098
	<u>19,276,218</u>	<u>17,894,275</u>	<u>39,879,167</u>	<u>38,773,266</u>

17. Other operating income

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Net income from investment properties	29,577	26,974	59,873	53,129
Net (losses) / profits from exchange differences	(15,915)	58,947	14,832	26,015
Other income	70,293	23,341	85,135	393,038
	<u>83,955</u>	<u>109,262</u>	<u>159,840</u>	<u>472,182</u>

18. Net investment profits

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Financial assets at fair value through statement of income:				
Unrealised profits	-	391,471	-	665,568
Realized gains	-	9,136	-	9,136
Cash dividends	-	15,709	-	15,709
	-	<u>416,316</u>	-	<u>690,413</u>
Available for sale financial assets:				
Impairment	-	(16,366)	-	(19,719)
Realized gains	-	442,489	-	1,957,235
Cash dividends	-	489,827	-	960,847
Portfolio management fees	-	(29,012)	-	(56,179)
	-	<u>886,938</u>	-	<u>2,842,184</u>
Financial assets at fair value through other comprehensive income:				
Cash dividends	2,670,564	-	2,764,584	-
Portfolio management fees	(25,420)	-	(51,224)	-
	<u>2,645,144</u>	-	<u>2,713,360</u>	-
	<u>2,645,144</u>	<u>1,303,254</u>	<u>2,713,360</u>	<u>3,532,597</u>

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19. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the period, attributable to shareholders of the Parent Company, by the weighted average number of ordinary shares outstanding for 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	
	2018	2017	2018	2017
Net profit for the period attributable to shareholders of the Parent Company	3,797,545	4,379,916	6,765,272	9,981,339
Weighted average number of outstanding shares during the period (Shares)	713,059,278	713,103,141	713,059,278	713,103,141
Basic and diluted earning per share (Fils)	5.33	6.14	9.49	14.00

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 30 June 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 and outstanding balances:

Transactions	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Sales	749,170	736,876	1,469,005	1,475,457
Directors' remuneration	52,000	47,500	104,000	95,000
Committees' fees	37,500	30,000	75,000	60,000
Senior management salaries and benefits	154,230	151,400	307,100	308,165
			31 December 2017 (Audited)	30 June 2017
Balances				
Receivables and other debit balances (Note 8)	1,475,495		1,170,507	1,482,934
Provision for employees end of services benefits	490,668		489,577	488,468

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

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22. Contingent liabilities and capital commitments

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Contingent liabilities			
Letters of guarantee	573,633	573,633	424,383
Capital commitments			
Letters of credit	1,828,535	1,848,583	2,116,010
Uncalled subscription relating to investments in funds	321,972	321,972	321,972
Contracts for importing raw materials	13,323,516	16,288,435	11,383,486
Property, plant and equipment	688,485	681,635	739,293

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.
- Investments sector.

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

	2018			2017		
	Manufacturing sector	Investment sector	Total	Manufacturing sector	Investment sector	Total
Segments revenues	48,233,527	2,889,645	51,123,172	49,658,431	3,748,503	53,406,934
Gross segments profit	5,601,284	2,889,645	8,490,929	8,353,144	3,748,503	12,101,647
Segments assets	220,322,530	85,262,676	305,585,206	222,215,687	78,457,733	300,673,420
Adjustments						
Gross segments profit			8,490,929			12,101,647
Finance charges			(1,430,459)			(1,613,839)
Interest income			36,857			22,888
Net segments profit before deductions			7,097,327			10,510,696