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 report on review for the nine months ended 30 September 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 the 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 September 2018, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim 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 the 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 Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that nothing have come to our attention indicating any contravention during the nine month period ended 30 September 2018, of the Commercial Companies' Law No. 1 of 2016 and its executive regulations, as amended, or of 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
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BDO Al Nisf & Partners

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Member of Prime Global
Al-Salheya Office - Certified Public Accountant

Kuwait: 7 November 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 as at 30 September 2018 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	30 September 2018	31 December 2017 (Audited)	30 September 2017
Assets				
Non-current assets				
Property, plant and equipment	3	157,983,626	160,124,189	159,291,577
Intangible assets		79,661	110,594	105,697
Investment properties		776,648	794,656	800,659
Investments in associates	4	16,134,267	16,628,067	16,286,759
Financial assets at fair value through other comprehensive income	5	71,287,501	-	-
Available for sale financial assets	6	-	55,022,845	54,300,532
		246,261,703	232,680,351	230,785,224
Current assets				
Inventories	7	21,368,653	17,579,349	20,247,846
Receivables and other debit balances	8	34,204,362	35,242,517	30,878,810
Financial assets at fair value through statement of income	9	-	8,827,808	8,583,976
Cash and cash equivalents	10	9,906,171	11,413,617	19,250,675
		65,479,186	73,063,291	78,961,307
Total assets		311,740,889	305,743,642	309,746,531
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	(18,527,002)	(25,995,463)	(24,155,390)
Group's share in associates' reserves		211,218	(203,112)	(293,997)
Group's share in foreign currency exchange reserve		116,085	93,702	91,765
Retained earnings		22,336,843	28,437,008	27,133,474
Equity attributable to shareholders of the Parent Company		199,045,982	197,275,588	194,084,909
Non-controlling interests		155,519	144,473	146,381
Total equity		199,201,501	197,420,061	194,231,290
Liabilities				
Non-current liabilities				
Loans, bank facilities and murabaha	14	63,012,663	58,749,216	61,436,747
Provision for employees end of services benefits		3,030,995	2,777,262	2,832,113
		66,043,658	61,526,478	64,268,860
Current liabilities				
Loans, bank facilities and murabaha	14	18,993,579	18,686,515	27,152,305
Payables and other credit balances	15	27,502,151	28,110,588	24,094,076
		46,495,730	46,797,103	51,246,381
Total Liabilities		112,539,388	108,323,581	115,515,241
Total equity and liabilities		311,740,889	305,743,642	309,746,531

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 nine months period ended 30 September 2018 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018	**2017**	**2018**	**2017**
Sales		22,551,818	20,939,161	70,700,210	70,204,554
Cost of sales	16	(19,836,462)	(17,159,620)	(59,715,629)	(55,932,886)
Gross profit		2,715,356	3,779,541	10,984,581	14,271,668
Other operating income	17	56,457	90,511	216,297	562,693
Selling, general and administrative expenses		(946,762)	(1,050,879)	(3,482,230)	(3,514,729)
Operating profit		1,825,051	2,819,173	7,718,648	11,319,632
Provision for doubtful debts		(201,984)	(47,093)	(434,427)	(141,279)
Finance charges		(695,965)	(879,932)	(2,126,424)	(2,493,771)
Interest income		7,168	9,555	44,025	32,443
Net investment profits	18	(17,095)	218,651	2,696,265	3,751,248
Group's share in associates' business results	4	208,332	298,086	324,745	460,863
Net profit before deductions		1,125,507	2,418,440	8,222,832	12,929,136
Contribution to Kuwait Foundation for the Advancement of Sciences		(9,298)	(20,834)	(75,755)	(113,278)
National Labour Support Tax		(39,071)	(55,378)	(153,032)	(296,329)
Zakat		(13,545)	(22,151)	(57,965)	(118,531)
Board of directors' remuneration		(52,000)	(47,500)	(156,000)	(142,500)
Net profit for the period		1,011,593	2,272,577	7,780,080	12,258,498
Attributable to:					
Shareholders of the Parent Company		1,011,750	2,272,313	7,777,022	12,253,652
Non-controlling interests		(157)	264	3,058	4,846
Net profit for the period		1,011,593	2,272,577	7,780,080	12,258,498
Basic and diluted earnings per share (fils)	19	1.42	3.18	10.91	17.18

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

Interim condensed consolidated statement of comprehensive income for the nine months period ended 30 September 2018 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
Net profit for the period		1,011,593	2,272,577	7,780,080	12,258,498
Other comprehensive income items:					
Items that may be reclassified subsequently in the interim condensed consolidated statement of income:					
Available for sale financial assets:					
Change in fair value of financial assets available for sales		-	8,253,750	-	6,893,495
Transferred to interim condensed consolidated statement of income on sale of financial assets available for sale		-	-	-	(1,754,559)
		-	8,253,750	-	5,138,936
Investments in associates:					
Group's share of associates' reserves	4	21,072	21,515	414,330	116,166
Differences of translation of financial statements with foreign currency:					
Group's share in foreign currency exchange reserve		(503)	(24,557)	22,383	(25,582)
Items that will not be reclassified subsequently in 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		3,459,554	-	8,529,261	-
Total other comprehensive income items for the period		3,480,123	8,250,708	8,965,974	5,229,520
Total comprehensive income for the period		4,491,716	10,523,285	16,746,054	17,488,018
Attributable to:					
Shareholders of the Parent Company		4,488,263	10,514,879	16,734,273	17,476,859
Non-controlling interests		3,453	8,406	11,781	11,159
Total comprehensive income for the period		4,491,716	10,523,285	16,746,054	17,488,018

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 for the nine months period ended 30 September 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	-	-	-	-	-	-	-	-	-	-	12,253,652	12,253,652	4,846	12,258,498
Total other comprehensive income/ (loss) items for the period	-	-	-	-	-	-	-	5,132,438	116,166	(25,397)	-	5,223,207	6,313	5,229,520
Cash dividends (Note 20)	-	-	-	-	-	-	-	-	-	-	(14,262,063)	(14,262,063)	-	(14,262,063)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(962)	(962)
Balance at 30 September 2017	73,330,387	26,675,810	(13,497,645)	445,592	45,193,637	40,231,148	18,930,128	(24,155,390)	(293,997)	91,765	27,133,474	194,084,909	146,381	194,231,290
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)	-	-	(68,653)	(668,453)	(311)	(668,764)
Balance at 1 January 2018 ("restated")	73,330,387	26,675,810	(13,497,645)	445,592	47,010,835	42,048,346	18,930,128	(26,595,263)	(203,112)	93,702	28,368,355	196,607,135	144,162	196,751,297
Net profit for the period	-	-	-	-	-	-	-	-	-	-	7,777,022	7,777,022	3,058	7,780,080
Total other comprehensive income items for the period	-	-	-	-	-	-	-	8,068,261	414,330	22,383	452,277	8,957,251	8,723	8,965,974
Cash dividends (Note 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	-	-	-	-	-	-	-	-	-	-	-	-	(424)	(424)
Balance at 30 September 2018	73,330,387	26,675,810	(13,528,077)	441,409	47,010,835	42,048,346	18,930,128	(18,527,002)	211,218	116,085	22,336,843	199,045,982	155,519	199,201,501

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

Interim condensed consolidated statement of cash flows for the nine months period ended 30 September 2018 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Cash flows generated from operating activities			
Net profit for the period		7,780,080	12,258,498
Adjustments:			
Depreciation and amortization		6,175,259	6,720,779
Provision for doubtful debts		434,427	141,279
Losses on sale of property, plant and equipment		5,138	33,344
Net investment profits	18	(2,770,350)	(3,822,572)
Finance charges		2,126,424	2,493,771
Interest income		(44,025)	(32,443)
Group's share in associates' business results	4	(324,745)	(460,863)
Provision for employees end of services benefits		253,733	240,680
Net operating profit before working capital changes		13,635,941	17,572,473
Inventories		(3,789,304)	(3,879,975)
Receivables and other debit balances		404,283	2,882,865
Financial assets at fair value through statement of income		-	425,756
Payables and other credit balances		(846,184)	(703,456)
Net cash generated from operating activities		9,404,736	16,297,663
Cash flows from investing activities			
Paid for the purchase of property, plant and equipment	3	(3,957,818)	(4,135,998)
Proceeds from sale of property, plant and equipment		6,225	65,865
Paid for purchase of available for sale financial assets		-	(1,060,389)
Paid for purchase of financial assets at fair value through other comprehensive income		(974,270)	-
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		2,066,512	-
Dividend received		3,533,905	1,026,340
Interest income received		44,025	32,443
Net cash generated from investing activities		718,579	175,642
Cash flows from financing activities			
Withdrawn from loans, bank facilities and murabaha		11,998,000	15,144,294
Paid for loans, bank facilities and murabaha		(7,462,407)	(8,829,924)
Finance charges paid		(2,064,005)	(2,300,543)
Dividend payments		(14,067,310)	(14,191,910)
Net change in non-controlling interests		(424)	(962)
Paid for purchase of treasury shares		(43,369)	-
Proceed from sale of treasury shares		8,754	-
Net cash used in financing activities		(11,630,761)	(10,179,045)
Net (decrease)/increase in cash and cash equivalents		(1,507,446)	6,294,260
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	9,906,171	19,250,675

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 interim condensed consolidated financial information includes the financial information 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**	**30 September 2018**	**31 December 2017**	**30 September 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 nine months period ended 30 September 2018. The total assets of subsidiaries amounted to KD 43,579,563 as at 30 September 2018 (31 December 2017: KD 38,791,337 and 30 September 2017: KD 37,856,446) and net profits amounted to KD 297,502 for the nine months period ended 30 September 2018 (30 September 2017: KD 1,140,433).

The accompanying interim condensed consolidated financial information was authorised for issue by the Parent Company's board of director on 7 November 2018.

2. The Group's 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 (consisting of recurring accruals) have been included in the interim condensed consolidated financial information. The operating results for the nine months period ended 30 September 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 IFRS that have become effective and applicable to the Group. The interim condensed consolidated financial information for the period ended 31 March 2018 is the first financial information 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 condensed consolidated interim 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 condensed consolidated interim financial information for the nine months period from 30 September 2018 since most of the group's revenues fall within the scope of IFRS 15 represented in sale of goods at a point in time specifically at delivery of products where the Group manufactures such products generally at 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 equity (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)
Investments in associates	4	(469,320)
Accumulated losses (net)		(68,964)

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 had no 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; 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
- 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.
Financial assets 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 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.
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.

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.

	Notes	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)	Investments available for sale	Financial assets 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. On 1 January 2018, as a result of adoption of IFRS 9, the management issued irrevocable decision on initial recognition to recognize the changes in fair value through other comprehensive income other than profit or loss as these are strategic investments and the Group considers this to be more relevant to the other comprehensive income.

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.

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, 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.

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 the 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 (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 as 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.

3. Property, plant and equipment

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Net carrying value at beginning of period/year/period	160,124,189	161,937,752	161,937,752
Additions	3,957,818	7,169,515	4,135,998
Disposals	(11,363)	(153,865)	(99,209)
Foreign currency exchange differences	39,300	(7,226)	(7,412)
Depreciation for the period/year/ period	(6,126,318)	(8,821,987)	(6,675,552)
Net carrying value at end of the period/year/period	157,983,626	160,124,189	159,291,577

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

4. Investments in associates

Associate	Country of incorporation	Voting rights and ownership percentage %	Carrying value 30 September 2018	Carrying value 31 December 2017 (Audited)	Carrying value 30 September 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	16,134,267	16,628,067	16,286,759
			16,134,267	16,628,067	16,286,759

Movement on investment in associates was as follows:

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Balance at the 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))	(469,320)	-	-
Group's share in associates' business results	324,745	711,286	460,863
Group's share of associates' reserves	414,330	207,051	116,166
Cash dividends received	(763,555)	-	-
Balance at the end of the period/year/period	16,134,267	16,628,067	16,286,759

The Group's share in results of associate companies is recognized based on the interim condensed consolidated financial information (Unaudited) for the period ended 30 June 2018.

5. Financial assets at fair value through other comprehensive income

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Quoted securities	54,695,282	-	-
Unquoted securities	4,963,781	-	-
Funds and portfolios	11,628,438	-	-
	71,287,501	-	-

The quoted financial assets include financial assets of KD 23,610,424 as at 30 September 2018 in shares of National Industries Group Holding K.P.S.C. one of the major shareholders in the Group (31 December 2017: KD Nil and 30 September 2017: KD Nil).

6. Available for sale financial assets

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Quoted shares	-	47,291,462	49,013,631
Unquoted shares	-	5,001,009	4,677,378
Foreign Funds	-	2,730,374	609,523
	-	55,022,845	54,300,532

As at 1 January 2018, as a result of adoption of IFRS 9, the Group elected to reclassify financial assets available for sale at 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 September 2018 in shares of National Industries Group Holding K.P.S.C. one of the major shareholders in the Group (31 December 2017: KD 20,353,814 and 30 September 2017: KD 20,896,582).

7. Inventories

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Raw materials	20,588,945	16,904,918	19,377,722
Finished goods	779,708	674,431	870,124
	21,368,653	17,579,349	20,247,846

8. Receivables and other debit balances

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Amounts under collection at banks	778,080	917,353	603,329
Receivables against unconditional bank guarantees	4,012,122	4,466,633	4,293,149
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	3,772,873	5,922,640	4,168,834
Related parties (Note 21)	2,205,884	1,170,507	756,824
Other trade receivables	23,426,785	22,379,026	20,537,556
Total trade receivables	34,195,744	34,856,159	30,359,692
Other receivables	1,743,231	1,682,006	1,708,372
	35,938,975	36,538,165	32,068,064
Provision for doubtful debts	(4,273,706)	(3,636,236)	(3,239,543)
	31,665,269	32,901,929	28,828,521
Prepaid expenses	641,913	490,029	539,115
Notes receivables	1,897,180	1,850,559	1,511,174
	34,204,362	35,242,517	30,878,810

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

	30 September 2018	31 December 2017 (Audited)	30 September 2017
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	434,427	626,740	141,279
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	4,273,706	3,636,236	3,239,543

9. Financial assets at fair value through statement of income

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Local financial assets	-	1,020,601	1,052,748
Foreign financial assets	-	7,807,207	7,531,228
	-	8,827,808	8,583,976

As at 1 January 2018, as a result of adoption of IFRS 9, the Group elected to reclassify financial assets at fair value through statement of income at carrying value of KD 8,827,808 as financial assets at fair value through other comprehensive income (Note 2 B (i)).

10. Cash and cash equivalents

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Cash on hand and at bank	8,792,509	10,073,629	9,623,378
Cash at investment portfolios	692,474	336,326	7,345,658
Bank deposits	421,188	1,003,662	2,281,639
Cash and cash equivalents	9,906,171	11,413,617	19,250,675

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

11. Share capital

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

12. Treasury shares

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Number of shares (share)	20,279,179	20,200,729	20,200,729
Percentage of issued shares (%)	2.76	2.75	2.75
Market value (KD)	10,038,194	9,474,142	9,272,135

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	8,068,261	-	8,068,261
At 30 September 2018	(18,527,002)	-	(18,527,002)
At 1 January 2017	-	(29,287,828)	(29,287,828)
Total other comprehensive income for the period	-	5,132,438	5,132,438
At 30 September 2017	-	(24,155,390)	(24,155,390)

14. Loans, bank facilities and Murabaha

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Non-current portion			
Loans	38,652,663	28,930,000	28,383,905
Murabaha	24,360,000	29,819,216	33,052,842
	63,012,663	58,749,216	61,436,747
Current portion			
Loans	9,130,606	6,811,973	14,393,808
Murabaha	9,862,973	11,874,542	12,758,497
	18,993,579	18,686,515	27,152,305
Total loans, bank facilities and murabaha	82,006,242	77,435,731	88,589,052

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

Certain loans are secured by the whole official location and extensions to the Parent Company's factory with book value of KD 11,455,209 as at 30 September 2018 (31 December 2017: KD 12,481,819 and 30 September 2017: KD 12,824,022).

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 September 2018	31 December 2017 (Audited)	30 September 2017
Suppliers	21,256,232	20,976,523	16,696,628
Retention	48,927	567,201	567,201
Accrued interest and expenses	2,583,250	2,961,732	2,546,307
Notes payable	1,570,136	1,165,399	1,964,696
Clients - advance payments	683,310	747,327	829,507
Payable cash dividends	889,512	696,010	742,080
Contribution to Kuwait Foundation for the Advancement of Sciences	240,714	361,181	309,466
National Labour Support Tax	153,032	452,521	296,329
Zakat	63,393	172,293	129,061
Other	13,645	10,401	12,801
	27,502,151	28,110,588	24,094,076

16. Cost of sales

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Raw material	16,520,364	13,861,793	49,934,077	46,515,810
Change in finished goods	19,569	(24,494)	(97,597)	(266,734)
Salaries and benefits	1,138,095	1,186,056	3,580,617	3,546,829
Rent	88,679	165,831	263,000	500,646
Maintenance and spare parts	1,561,149	1,144,418	3,933,245	3,097,454
Depreciations and amortizations	225,425	642,871	1,472,895	1,857,638
Other	283,181	183,145	629,392	681,243
	19,836,462	17,159,620	59,715,629	55,932,886

17. Other operating income

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Net income from investment properties	33,322	29,176	93,195	82,305
Net profits from exchange differences	1,092	39,321	15,924	65,336
Other revenues	22,043	22,014	107,178	415,052
	56,457	90,511	216,297	562,693

18. Net investment profits

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Financial assets at fair value through statement of income:				
Unrealised profits	-	180,793	-	846,361
Realized gains	-	-	-	9,136
Cash dividends	-	18,392	-	34,101
	-	199,185	-	889,598
Available for sale financial assets:				
Impairment	-	-	-	(19,719)
Realized gains	-	3,219	-	1,960,454
Cash dividends	-	31,392	-	992,239
Portfolio management fees	-	(15,145)	-	(71,324)
	-	19,466	-	2,861,650
Financial assets at fair value through other comprehensive income:				
Cash dividends	5,766	-	2,770,350	-
Portfolio management fees	(22,861)	-	(74,085)	-
	(17,095)	-	2,696,265	-
	(17,095)	218,651	2,696,265	3,751,248

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 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Net profit for the period attributable to shareholders of the Parent Company	1,011,750	2,272,313	7,777,022	12,253,652
Weighted average number of outstanding shares during the period (shares)	713,024,691	713,103,141	713,047,623	713,103,141
Basic and diluted earning per share (fils)	1.42	3.18	10.91	17.18

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 September 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:

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Transactions				
Sales	1,199,154	553,157	2,668,159	2,028,614
Directors' remuneration	52,000	47,500	156,000	142,500
Committees' fees	37,500	30,000	112,500	90,000
Senior management salaries and benefits	152,541	154,140	459,641	462,305

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Balances			
Receivables and other debit balances (Note 8)	2,205,884	1,170,507	756,824
Provision for employees end of services benefits	491,223	489,577	489,023

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

22. Contingent liabilities and capital commitments

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Contingent liabilities			
Letters of guarantee	573,633	573,633	424,383
Capital commitments			
Letters of Credit	1,886,692	1,848,583	2,199,364
Uncalled subscription relating to investments in funds	321,972	321,972	321,972
Contracts for importing raw materials	5,481,304	16,288,435	6,677,833
Property, plant and equipment	686,853	681,635	673,475

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 nine months period ended 30 September is as follows:

	2018			2017		
	Manufacturing sector	Investment sector	Total	Manufacturing sector	Investment sector	Total
Segments revenues	70,807,388	3,114,205	73,921,593	70,619,607	4,294,416	74,914,023
Gross segments profit	7,191,025	3,114,206	10,305,231	11,096,048	4,294,416	15,390,464
Segments assets	222,849,999	88,890,890	311,740,889	222,428,947	87,317,584	309,746,531
Adjustments						
Gross segments profit			10,305,231			15,390,464
Finance charges			(2,126,424)			(2,493,771)
Interest income			44,025			32,443
Net segments profit before deductions			8,222,832			12,929,136