Kuwait Portland Cement Co. K.P.S.C.
And its subsidiary
State of Kuwait

Interim Condensed Consolidated Financial Information (Unaudited)

And review report for the three month period ended 31 March 2018

Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait

Interim condensed consolidated financial information (unaudited)

And review report for the three month period ended 31 March 2018

Contents

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Auditors' report on review of interim condensed consolidated financial information to the board of directors
Kuwait Portland Cement Co. K.P.S.C.
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Portland Cement Co. K.P.S.C. ("The Parent Company") and its subsidiary (together referred to as "the Group") as at 31 March 2018, and the related interim condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the three month period then ended. The preparation and presentation of this interim condensed consolidated financial information is the responsibility of the Parent Company's management in accordance with IAS 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 interim condensed consolidated 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, the interim condensed consolidated financial information is in agreement with the books of account. We further report that, to the best of our knowledge and belief, no violations of 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, have occurred during the three month period ended 31 March 2018, that might have had a material effect on the business of the Group or on its interim condensed consolidated financial position.

Faisal Saqer Al Saqer
Licence No. 172 - A
BDO Al Nisf & Partners

Kuwait: 9 May 2018

Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait

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

	Notes	31 March 2018 KD	(audited) 31 December 2017 KD	31 March 2017 KD
Assets				
Non-current assets				
Financial investments at fair value through other comprehensive income	6	16,013,479	-	-
Available for sale financial assets	6	-	17,453,070	18,824,828
Property, plant and equipment	7	6,991,932	6,157,461	2,879,504
		23,005,411	23,610,531	21,704,332
Current assets				
Financial investments at fair value through statement of income	8	21,517,130	19,910,144	22,553,473
Trade and other receivables	9	31,380,403	32,395,027	21,256,562
Inventories	10	5,199,531	5,894,326	6,449,667
Cash and cash equivalents	11	10,967,335	13,623,925	22,563,290
		69,064,399	71,823,422	72,822,992
Total assets		92,069,810	95,433,953	94,527,324
Equity and liabilities				
Equity				
Share capital		10,022,196	10,022,196	10,022,196
Statutory reserve		10,022,196	10,022,196	10,022,196
Voluntary reserve		10,022,196	10,022,196	10,022,196
General reserve		2,500,000	2,500,000	2,500,000
Treasury shares reserve		544,943	544,943	544,943
Change in fair value reserve		7,258,469	5,149,764	6,407,178
Retained earnings		30,663,151	30,229,150	32,660,366
Total equity		71,033,151	68,490,445	72,179,075
Liabilities				
Non-current liabilities				
Other provisions	12	1,754,449	1,724,449	1,634,449
Provision for employees' end of service indemnity		4,143,175	3,730,258	3,313,489
		5,897,624	5,454,707	4,947,938
Current liabilities				
Trade and other payables	13	14,546,377	20,863,003	17,056,018
Dividends payable		592,658	625,798	344,293
		15,139,035	21,488,801	17,400,311
Total liabilities		21,036,659	26,943,508	22,348,249
Total equity and liabilities		92,069,810	95,433,953	94,527,324

The accompanying notes on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

Khaled Abdullah Alsaqr
Chairman

شركة إسمنت بورتلاند كويت
KUWAIT PORTLAND CEMENT CO.

Ali A. Al-Omar
Vice Chairman

Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait

Interim condensed consolidated statement of income (unaudited)
For the three month period ended 31 March 2018

		Three months ended 31 March	
		2018	**2017**
	Notes	KD	KD
Income			
Sales		35,981,654	21,782,302
Cost of sales		(31,749,258)	(18,392,469)
Gross profit		4,232,396	3,389,833
Loss from sale of available for sale investments		-	(356,413)
Unrealised profit on financial investments at fair value through statement of income		645,329	912,011
Profits form sale of financial investments at fair value through statement of income		131	(224,076)
Interest income		1,917	1,732
Net investment income		-	73,339
Loss from foreign exchange		(7,059)	(581)
Other income	14	527,760	1,180,368
Total revenues		5,400,474	4,976,213
Expenses and other charges			
General and administrative expenses		(842,704)	(679,011)
Distribution expenses		(465,431)	(437,136)
Other provisions		(30,000)	(30,000)
Profit for the period before KFAS, NLST, Zakat and Directors' remuneration		4,062,339	3,830,066
Contribution to Kuwait Foundation for the Advancement of Sciences		(40,623)	(38,301)
National Labour Support Tax		(64,315)	(83,997)
Zakat		(25,726)	(33,599)
Board of directors' remuneration		(65,000)	(65,000)
Profit for the period		3,866,675	3,609,169
Basic earnings per share (fils)	15	38.58	36.01

The accompanying notes on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait

Interim condensed consolidated statement of income and other comprehensive income (unaudited)
For the three month period ended 31 March 2018

	Three months ended 31 March	
	2018	**2017**
	KD	KD
Profit for the period	3,866,675	3,609,169
Items of other comprehensive profit		
Items that may not be reclassified subsequently in the statement of interim condensed consolidated income:		
Change in fair value of financial investments at fair value through other comprehensive income	176,031	-
Items that may be reclassified subsequently to the interim condensed consolidated statement of income:		
Transferred to interim condensed consolidated statement of income from sale of available for sale investments	-	(23,672)
Change in fair value of financial assets available for sales	-	1,468,974
Other comprehensive income for the period	176,031	1,445,302
Total other comprehensive income for the period	4,042,706	5,054,471

The accompanying notes on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait

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

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Treasury shares reserve KD	Change of fair value reserve KD	Retained earnings KD	Total equity KD
Balance as at 31 December 2015	10,022,196	10,022,196	10,022,196	2,500,000	544,943	4,961,876	29,051,197	67,124,604
Total comprehensive income for the period	-	-	-	-	-	1,445,302	3,609,169	5,054,471
Balance as at 31 March 2017	10,022,196	10,022,196	10,022,196	2,500,000	544,943	6,407,178	32,660,366	72,179,075
Balance as at 31 December 2017	10,022,196	10,022,196	10,022,196	2,500,000	544,943	5,149,764	30,229,150	68,490,445
Impact of adoption of IFRS 9	-	-	-	-	-	1,932,674	(3,432,674)	(1,500,000)
Total comprehensive income for the period	-	-	-	-	-	176,031	3,866,675	4,042,706
Balance as at 31 March 2018	10,022,196	10,022,196	10,022,196	2,500,000	544,943	7,258,469	30,663,151	71,033,151

The accompanying notes on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait

Interim condensed consolidated statement of cash flows (unaudited)
For the three month period ended 31 March 2018

	Notes	Three months ended 31 March 2018 KD	Three months ended 31 March 2017 KD
Operating activities			
Net profit for the period		3,866,675	3,609,169
Adjustments to:			
Depreciation	7	1,756,200	568,668
Loss on sale of available for sale investments		-	356,413
Unrealised profit on investments at fair value through statement of income		(645,329)	(912,011)
Losses from sale of investments at fair value through statement of income		131	224,076
Dividend income		-	(73,339)
Increase in other provisions		30,000	30,000
Provision for employees' end of service indemnity		439,898	267,797
		5,447,575	4,070,773
Movements in working capital:			
(Increase) in investments at fair value through statement of income		(961,788)	(3,716,850)
Decrease / (Increase) in trade and other receivables		(485,376)	5,321,816
(Increase) in inventories		694,795	(300,031)
Increase in trade payables and other		(6,316,626)	6,311,301
Cash from operation		(1,621,420)	11,687,009
Payment of employees' end of service indemnity provision		(26,981)	(16,512)
Net cash (used in)/from operating activities		(1,648,401)	11,670,497
Investing activities			
Proceed on sale of investments at fair value through statement of other comprehensive income		1,615,622	3,730,556
Dividend income received		-	73,339
Paid for purchase of property, machinery and equipment	7	(2,590,671)	(207,866)
Net cash (used in) / generated from investing activities		(975,049)	3,596,029
Financing activities			
Dividend payments		(33,140)	(10,477)
Net cash used in financing activities		(33,140)	(10,477)
Net (decrease)/increase in cash and cash equivalents		(2,656,590)	15,256,049
cash and cash equivalents at beginning of the period		13,623,925	7,307,241
Cash and cash equivalents at the end of the period	11	10,967,335	22,563,290

The accompanying notes on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

1. General Information

Kuwait Portland Cement Company K.S.C. (Public) ("the Parent Company") was incorporated on 7 July 1976 in Kuwait as per memorandum of incorporation No. 966, Volume 2, and was listed on the Kuwait Stock Exchange on 1 April 1995. The principal activities of the Parent Company are as follows:

- Trading by import & export in bulk cement and packaging of the different types of cement.
- Constructing, operating, leasing, and renting of stores and silos necessary for the supply and distribution of the different types of cement.
- Acquisition of the means of transportation for that purpose.
- Manufacturing and marketing of readymade concrete
- Purchasing and importing raw materials, machines and vehicles related to the Group's purposes.
- Acquisition of movables and real estates related to the Group's purposes.
- Utilizing the financial surpluses of the Parent Company by investing them in portfolios by specialized companies and entities.

On 16 April 2018, the extraordinary general assembly of the Parent Company's shareholders was held and approved adding new items to the article no. (5) of the memorandum of incorporation and to article no. (4) in article of association of the Parent Company. Such addition is as follows:

Activity of aggregate import, trade and sale and acquisition of its equipment, means of transportation and crushers.
Activity related to sand (Quarries) and acquisition of its equipment and means of transportation.

The address of the Parent Company's registered office is P.O. Box, 42191, Shuwaikh -70652, State of Kuwait.

The interim condensed consolidated financial statements of Kuwait Portland Cement Company K.S.C. (Public) and its subsidiary (the Group) for the period ended 31 March 2018 were authorized for issue by the Parent Company's board of directors on 9 May 2018.

2. Basis of preparation

This interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The interim condensed consolidated financial information does not include all the information and disclosures required for complete annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for fair presentation have been included.

Operating results for the three-month period ended 31 March 2018 is not necessarily indicative of the results that may be expected for the financial year ended 31 December 2018. For further information, refer to the annual audited consolidated financial statements of the Group for the year ended 31 December 2017.

2. Basis of preparation (Continued)

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the Group.

The accounting policies used in the preparation of this interim condensed consolidated financial information for the current interim financial period are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new standards and amendments effective as of 1 January 2018. Although these new standards and amendments will be applied for the first time in 2018, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group.

Changes in accounting policies adopted on these condensed consolidated interim financial information are set out in note no. (4).

3. Use of estimates and judgements

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 chief 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:

3. Use of estimates and judgements (Continued)

- 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.

Further details about the assumptions made in measuring fair value are included in Note 18.

4. 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 consolidated financial statements for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated 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 Group's condensed consolidated interim financial information.

a. IFRS 15: Revenue from Contracts with Customers

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

The Group's adoption of IFRS 15 on 1 January 2018 has not resulted in any significant impact on the group's the consolidated financial statements as at 31 December 2017 and condensed consolidated interim financial information for the three month period from 31 March 2018 since most of the group's revenues fall within 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.

4. Changes in significant accounting policies (Continued)

b. IFRS 9: Financial Instruments (Continued)

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

31 March 2018	**Impact of adoption of IFRS 9 (KD)**
Fair value reserve	(1,932,674)
Provision for doubtful debts	(1,500,000)
Retained earnings (net)	(3,432,674)

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

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

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

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

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

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

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

4. Changes in significant accounting policies (Continued)

b. FRS 9 - Financial Instruments (Continued)

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

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

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

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

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

4. Changes in significant accounting policies (Continued)

b. FRS 9 - Financial Instruments (Continued)

Classification and measurement of the financial assets and liabilities (Continued)

(b) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of KD 1,918,024 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 recognised at 1 January 2018 on the adoption of IFRS 15.

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

(d) These equity securities represent investments that the Group intends to hold for the short term for trading purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTPL. The relative profit or loss will be recognized in profit or loss.

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

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

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

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

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

4. Changes in significant accounting policies (Continued)

b. FRS 9 - Financial Instruments (Continued)

Impairment of financial assets (Continued)
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 30 days past due.

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

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

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

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

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

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

Impact of the new impairment model
For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

Loss allowance as at 31 December 2017 under IAS 39	**Amount (KD)**
Additional impairment recognised at 1 January 2018 on:	
- Receivables and other debit balances	(1,500,000)

4. Changes in significant accounting policies (Continued)

b. FRS 9 - Financial Instruments (Continued)

Impairment of financial assets (Continued)

Receivables and contract assets
The following analysis provides further detail about the calculation of ECLs related to receivables and contract assets on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

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.

The following table provides information about the exposure to credit risk and ECLs as at 1 January 2018.

	Weighted average loss rate	Gross carrying amount KD	Credit impaired KD
Not past due	2%	28,847,014	576,940
1-90 days past due	15%	2,450,443	367,566
91-180 days past due	20%	1,220,756	262,151
180-360 days past due	10%	1,400,757	140,075
More than 360 days past due	100%	151,467	151,467

As at 1 January 2018, the Group recognised an additional allowance for doubtful debts of KD 1,500,000 as a result of adopting IFRS 9.

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.

4. Changes in significant accounting policies (Continued)

b. FRS 9 - Financial Instruments (Continued)

Transition (Continued)

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

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.

	Original classification in accordance with IAS 39	New classification in accordance with IFRS 9	Original carrying value in accordance with IAS 39	New carrying value in accordance with IFRS 9
Financial assets			KD	KD
Cash and cash equivalents	Loans and receivables	Amoritsed cost	13,623,925	13,623,925
Investments at fair value through statement of income	Investments at fair value through statement of income	Investments at fair value throughother comprehensive income	19,910,144	19,910,144
Investments at fair value through statement of other comprehensive income	Available for sale investments	Investments at fair value throughother comprehensive income	17,453,070	15,520,396
Other receivables	Loans and receivables	Amoritsed cost	321,034,763	30,534,763
Total financial assets			83,021,902	79,589,228
Financial liabilities				
Trade payables	Loans and receivables	Amoritsed cost	18,448,456	18,448,456
Total financial liabilities			18,448,456	18,448,456

4. Changes in significant accounting policies (Continued)

b. FRS 9 - Financial Instruments (Continued)

IFRS 15: Revenue from Contracts with Customers
IFRS 15, effective for annual periods beginning on or after 1 January 2018, outlines a single comprehensive framework to determine how much and when revenue is recognised. The standard replaces IAS 18 'Revenues' and IAS 11 'Construction contracts' along with the interpretations related to several revenues. It establishes a new recognition model based on the principle of control and applying five steps on all contracts with customers.

The model's five steps are as follows:
- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognise revenue when the entity satisfies a performance obligation.

Based on the available information, it is not expected by the management that the adoption of this standard will have a material impact on the Group's financial statements.

5. Details of the subsidiary

Name of the subsidiary	Principal activity	Place of Incorporation	Percentage of holding	
			2018	2017
National Company for Aggregate Import & Sale W.L.L	Import and sale of aggregates	State of Kuwait	98%	98%

There are assignment letters from the non-controlling parties regarding their interests in the company in favor of the Parent Company.

6. Financial investments at fair value through statement of other comprehensive income

Financial investments measured at FVOCI include equity securities that are not hold for trading, for which the management issued irrevocable decision, on initial recognition, for recognition of the changes in FVOCI other than FVTPL as they are strategic investments.

	31 March 2018	(audited) 31 December 2017	31 March 2017
	KD	KD	KD
Financial assets at fair value through statement of comprehensive income:-			
Quoted Investments	15,913,479	-	-
Unquoted investments	100,000	-	-
	16,013,479	-	-

6. Financial investments at fair value through statement of other comprehensive income (Continued)

Financial assets are valuated at fair value through other comprehensive income in accordance with note no. (18).

	31 March 2018	(audited) 31 December 2017	31 March 2017
	KD	KD	KD
Available for sale investments			
Quoted Investments	-	17,353,070	8,724,828
Unquoted investments	-	100,000	100,000
	-	17,453,070	8,824,828

As at 1 January 2018, the Group adopted IFRS 9. Accordingly, it reclassified available for sale financial assets at carrying value of KD 17,353,070 as quoted financial investments and KD 100,000 as unquoted financial investments to financial investments at fair value through statement of other comprehensive income.

7. Property, plant and equipment

	31 March 2018	(audited) 31 December 2017	31 March 2017
	KD	KD	KD
Cost			
Carrying value at beginning of the period / year	36,926,966	31,011,222	31,011,222
Additions during the period / year	2,590,671	6,895,668	207,866
Disposals during the period / year	-	(979,924)	(48,502)
Balance at end of the period / year	39,517,637	36,926,966	31,170,586
Accumulated depreciation			
Balance at beginning of the period/year	30,769,505	27,770,916	27,770,916
Charge for the period / year	1,756,200	3,978,513	568,668
Related to disposals	-	(979,924)	(48,502)
Balance at end of the period/year	32,525,705	30,769,505	28,291,082
Net carrying value at end of the period / year	6,991,932	6,157,461	2,879,504

8. Investments at fair value through statement of income

	31 March 2018	(audited) 31 December 2017	31 March 2017
	KD	KD	KD
Trading:			
Local securities	21,391,282	19,508,655	22,013,542
Foreign securities	125,848	401,489	539,931
	21,517,130	19,910,144	22,553,473

9. Trade and other receivables

	31 March 2018 KD	(audited) 31 December 2017 KD	31 March 2017 KD
Trade receivables	34,070,437	33,648,684	22,492,556
Provision for doubtful debts	(3,113,921)	(1,613,921)	(1,613,921)
	30,956,516	32,034,763	20,878,635
Advance payments	60,174	81,667	72,236
Staff receivables	363,713	278,597	305,691
	31,380,403	32,395,027	21,256,562

Movement in provision for doubtful debts is as follows:

	31 March 2018 KD	(audited) 31 December 2017 KD	31 March 2017 KD
Balance at beginning of the period/year	1,613,921	1,613,921	1,613,921
Provision resulting from the impact of adoption of IFRS 9	1,500,000	-	-
	3,113,921	1,693,921	1,693,921

10. Inventories

	31 March 2018 KD	(audited) 31 December 2017 KD	31 March 2017 KD
Raw materials	480,594	565,431	228,172
Cement	2,653,933	1,671,701	786,886
Steel	1,674,881	3,269,440	5,136,785
Spare Parts	217,442	237,361	211,335
Goods in transit	151,972	97,772	74,520
Cement sacks	48,410	80,322	39,670
	5,227,232	5,922,027	6,477,368
Provision of slow moving inventories	(27,701)	(27,701)	(27,701)
	5,199,531	5,894,326	6,449,667

11. Cash and cash equivalents

	31 March 2018 KD	(audited) 31 December 2017 KD	31 March 2017 KD
Cash on hand	437,405	157,501	136,592
Bank balances	10,242,744	8,765,215	19,604,645
Cash in investment portfolios	287,186	4,701,209	2,822,053
	10,967,335	13,623,925	22,563,290

12. Other provisions

This item represents rental amount estimated by the Parent Company's management for the Group's cement plant located in Shuwaikh Port of KD 1,420,634 and KD 333,815 for gate fees.

There are mutual lawsuits between the Group and other parties regarding these amounts.

13. Trade and other payables

	31 March 2018	(audited) 31 December 2017	31 March 2017
	KD	KD	KD
Trade payables	13,034,761	18,448,456	15,668,528
Accrued expenses	789,189	1,198,099	729,451
Accrued leave	454,991	456,437	368,963
Due to employees	71,772	71,725	68,179
Contribution to Kuwait Foundation for the Advancement of Sciences	40,623	98,840	38,301
National Labour Support Tax	64,315	235,319	83,997
Zakat	25,726	94,127	33,599
Board of directors' remuneration	65,000	260,000	65,000
	14,546,377	20,863,003	17,056,018

14. Other income

This item represents wages for transportation and distribution of cement, iron and others.

15. Basic earnings per share (fils)

Basic earnings per share are calculated by dividing net profit for the period by the weighted average number of shares:

	Three months ended 31 March	
	2018	2017
Loss for the period (KD)	3,866,675	3,609,169
Weighted average number of outstanding shares (share)	100,221,960	100,221,960
Basic earnings per share (fils)	38.58	36.01

16. Related party transactions

Related party transactions primarily comprise of subsidiaries, significant shareholders, directors and key management personnel of the Group, and entities of which they are principal owners. All related party transactions are carried out on terms approved by the Group's management. Related parties transactions included in the interim condensed consolidated financial information were as follows:

16. Related party transactions (Continued)

	Three months ended 31 March	
	2018	**2017**
Condensed consolidated statement of income	KD	KD
Staff and executive managers:		
Salaries and other benefits	165,677	128,904
Board of directors' remuneration	65,000	65,000

17. Segment information

IFRS 8 requires that operating segments to be identified based on the internal reports of Group segments which are regularly reviewed by the chief decision maker so as to evaluate their performance. The Parent Company's management has classified the Group's products and services into the following operational segments according to the IFRS 8: "Operating Segments".

- Cement and steel.
- Ready mix.
- Investments.

Below is the analysis of income and profit of segments as disclosed:

	Revenues from operating segments		Net profit of operating segments	
	Three months ended 31 March		Three months ended 31 March	
	2018	**2017**	**2018**	**2017**
	KD	KD	KD	KD
Cement and steel	24,580,038	15,970,233	3,339,666	2,417,016
Ready mix	11,401,616	5,812,069	892,730	615,823
Investments	-	-	640,318	762,425
Total for operations	35,981,654	21,782,302	4,872,714	3,795,264
Unallocated revenues			527,760	1,180,949
General and administrative expenses			(842,704)	(679,011)
Other provisions			(30,000)	(30,000)
Distribution expenses			(465,431)	(437,136)
Contribution to Kuwait Foundation for the Advancement of Sciences			(40,623)	(38,301)
National Labour Support Tax			(64,315)	(83,997)
Zakat			(25,726)	(33,599)
Directors' remuneration			(65,000)	(65,000)
Net profit for the period			3,866,675	3,609,169

17. Segment information (Continued)

For the purposes of monitoring segment performance and allocating resources between segments, the segment assets and liabilities are as follows:

	As at 31 March	
	2018	2017
	KD	KD
Assets		
Cement and steel	34,395,001	44,417,358
Ready mix	21,644,200	8,731,665
Investments	37,530,609	41,378,301
	92,069,810	94,527,324

	As at 31 March	
	2018	2017
	KD	KD
Liabilities		
Cement and steel	16,823,180	18,070,608
Ready mix	3,620,821	3,933,348
Unallocated	592,658	344,293
	21,036,659	22,348,249

18. Fair value measurement

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

18. Fair value measurement (Continued)

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 March 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Investments at fair value through statement of income				
Quoted equities	21,517,130	-	-	21,517,130
Investments at fair value through statement of other comprehensive income				
Quoted equities	15,913,479	-	-	15,913,479
Unquoted equity	-	-	100,000	100,000
Total	37,430,609	-	100,000	37,530,609

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Investments at fair value through statement of income				
Quoted equities	19,910,144	-	-	19,910,144
Available for sale investments				
Quoted equities	17,353,070			17,353,070
Unquoted equity	-	-	100,000	100,000
Total	37,263,214	-	100,000	37,363,214

31 March 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Financial assets at fair value through statement of income				
Quoted equities	22,553,473	-	-	22,553,473
Available for sale investments				
Quoted equities	18,724,828	-	-	18,724,828
Unquoted equity	-	-	100,000	100,000
Total	41,278,301	-	100,000	41,378,301

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

18. Fair value measurement (Continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Valuation of unquoted equity investments classified under level 3 is normally based on price to book value technique, dividend yield method and external valuations with marketability discount provided in the range of 10% to 50%.

Agree fair value measurements of available for sale financial assets with Level 3.

There is no movement on Level 3 of available for sale investments of KD 100,000.

19. Contingent liabilities

	31 March 2018	(audited) 31 December 2017	31 March 2017
	KD	KD	KD
Letters of guarantee	6,261,120	6,261,120	6,261,120

20. General assembly of shareholders

On 16 April 2018, the shareholders' general assembly was held and approved the consolidated financial statements for the year ended 31 December 2017. It also approved distribution of cash dividends at 90% of share capital (90 fils per share) to the shareholders registered as of the date of holding the general assembly. Furthermore, the shareholders' extraordinary general assembly was held at the same date and approved to add new items to article 5 of the memorandum of incorporation and article 4 of articles of association regarding the company's objectives (Note 1).