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 six month period ended 30 June 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 six month period ended 30 June 2018

Contents	**Page**

Tel: +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw

Al Shaheed Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait

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 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 30 June 2018, and the interim condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the six 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, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Parent Company. 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 six month period ended 30 June 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
License No. 172 – "A"
BDO Al Nisf & Partners
Kuwait: 9 August 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 30 June 2018

	Notes	30 June 2018 KD	(audited) 31 December 2017 KD	30 June 2017 KD
Assets				
Non-current assets				
Financial assets at fair value through other comprehensive income	6	15,005,631	-	-
Available for sale financial assets	6	-	17,453,070	17,655,888
Property, plant and equipment	7	7,130,236	6,157,461	2,652,388
		22,135,867	23,610,531	20,308,276
Current assets				
Financial assets at fair value through statement of income	8	21,476,092	19,910,144	21,457,366
Trade and other receivables	9	26,587,495	32,395,027	19,103,590
Inventories	10	7,871,046	5,894,326	6,164,587
Cash and cash equivalents	11	6,117,187	13,623,925	17,136,590
		62,051,820	71,823,422	63,862,133
Total assets		84,187,687	95,433,953	84,170,409
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		6,250,521	5,149,764	5,457,733
Retained earnings		23,177,957	30,229,150	26,106,841
Total equity		62,540,009	68,490,445	64,676,105
Liabilities				
Non-current liabilities				
Other provisions	12	1,884,449	1,724,449	1,664,449
Provision for employees' end of service indemnity		4,270,625	3,730,258	3,528,213
		6,155,074	5,454,707	5,192,662
Current liabilities				
Trade and other payables	13	14,533,508	20,863,003	13,390,425
Dividends payable		959,096	625,798	911,217
		15,492,604	21,488,801	14,301,642
Total liabilities		21,647,678	26,943,508	19,494,304
Total equity and liabilities		84,187,687	95,433,953	84,170,409

The accompanying notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

شركة إسمنت بورتلاند كويت
KUWAIT PORTLAND CEMENT CO.

Ali Abdurrahman Al-Omar
Vice Chairman

Khalifa Hamoud Al Ghanim
CEO and Board Member

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

Interim Condensed Consolidated Statement of Income (Unaudited)
For the six month period ended 30 June 2018

		Three months ended 30 June		Six months ended 30 June	
		2018	2017	2018	2017
	Note	KD	KD	KD	KD
Income					
Sales		20,352,977	16,705,080	56,334,631	38,487,382
Cost of sales		(20,177,031)	(15,619,510)	(51,926,289)	(34,011,979)
Gross profit		175,946	1,085,570	4,408,342	4,475,403
Loss from sale of available for sale investments		-	-	-	(356,413)
Unrealized profits / (losses) from change in fair value of financial assets through statement of income		267,342	(812,225)	912,671	99,786
Profits / (losses) from sale of financial assets at fair value through the statement of income		123,102	(65,230)	123,233	(289,306)
Interest income		888	1,622	2,805	3,354
Dividend income		1,516,870	1,293,384	1,516,870	1,366,723
Profit / (loss) foreign exchange differences		2,101	115	(4,958)	(466)
Other revenues		342,876	313,027	870,636	1,493,395
Total revenues		2,429,125	1,816,263	7,829,599	6,792,476
Expenses and other charges					
General and administrative expenses		(346,274)	(162,278)	(1,188,978)	(841,289)
Distribution expenses		(226,769)	(32,339)	(692,200)	(469,475)
Other provisions		(130,000)	(30,000)	(160,000)	(60,000)
Profit for the period before KFAS, NLST, Zakat and Directors' remuneration		1,726,082	1,591,646	5,788,421	5,421,712
Contribution to Kuwait Foundation for the Advancement of Sciences		(17,261)	(15,916)	(57,884)	(54,217)
National Labour Support Tax		(77,885)	(33,213)	(142,200)	(117,210)
Zakat		(31,154)	(13,285)	(56,880)	(46,884)
Board of directors' remuneration		(65,000)	(65,000)	(130,000)	(130,000)
Profit for the period		1,534,782	1,464,232	5,401,457	5,073,401
Basic earnings per share (fils)	14	15.31	14.61	53.90	50.62

The accompanying notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

شركة إسمنت بورتلاند كويت
KUWAIT PORTLAND CEMENT CO.

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 six month period ended 30 June 2018

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
	KD	**KD**	**KD**	**KD**
Profit for the period	1,534,782	1,464,232	5,401,457	5,073,401
Items of other comprehensive (loss) / income				
Items that may not be reclassified subsequently in the interim condensed consolidated statement of income:				
Change in fair value of financial assets at fair value through other comprehensive income	(1,007,948)	-	(831,917)	-
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	-	(949,445)	-	519,529
Other comprehensive (loss) / income for the period	(1,007,948)	(949,445)	(831,917)	495,857
Total comprehensive income for the period	526,834	514,787	4,569,540	5,569,258

The accompanying notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

شركة اسمنت بورتلاند كويت
KUWAIT PORTLAND CEMENT CO.

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 six month period ended 30 June 2018

	Share capital	Statutory reserve	Voluntary reserve	General reserve	Treasury shares reserve	Change of fair value reserve	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
As at 31 December 2016	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	-	-	-	-	-	495,857	5,073,401	5,569,258
Cash dividends	-	-	-	-	-	-	(8,017,757)	(8,017,757)
Balance as at 30 June 2017	10,022,196	10,022,196	10,022,196	2,500,000	544,943	5,457,733	26,106,841	64,676,105
As at 31 December 2017 ("as previously stated")	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 (Note 4)	-	-	-	-	-	-	(1,500,000)	(1,500,000)
Balance at 1 January 2018 (Restated)	10,022,196	10,022,196	10,022,196	2,500,000	544,943	5,149,764	28,729,150	66,990,445
Total comprehensive (loss) / income for the period	-	-	-	-	-	(831,917)	5,401,457	4,569,540
Loss on sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	1,932,674	(1,932,674)	-
Cash dividends (Note 19)	-	-	-	-	-	-	(9,019,976)	(9,019,976)
Balance as at 30 June 2018	10,022,196	10,022,196	10,022,196	2,500,000	544,943	6,250,521	23,177,957	62,540,009

The accompanying notes on pages 7 to 21 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 six month period ended 30 June 2018

	Note	Six months ended 30 June 2018 KD	Six months ended 30 June 2017 KD
Operating activities			
Profit for the period		5,401,457	5,073,401
Adjustments to:			
Depreciation		3,255,628	1,143,757
Loss on sale of available for sale investments		-	356,413
Unrealised profits from changes in fair value of financial assets through statement of income		(912,671)	(99,786)
Loss on sale of financial assets at fair value through statement of income		(123,233)	289,306
Losses on sale of property, machinery and equipment		24,780	-
Dividend income		1,516,870	1,366,723
Other provisions		160,000	60,000
Provision for employees' end of service indemnity		596,898	489,368
		9,919,729	8,679,182
Movements in working capital:			
Financial assets at fair value through statement of income		(530,044)	(3,498,198)
Trade and other receivables		4,307,532	7,474,788
Inventories		(1,976,720)	(14,951)
Trade and other payables		(6,329,495)	2,645,708
Cash from operation		5,391,002	15,286,529
Payment of employees' end of service indemnity provision		(56,531)	(23,359)
Net cash from operating activities		5,334,471	15,263,170
Investing activities			
Available for sale investments		-	3,950,051
Financial assets at fair value through other comprehensive income		1,615,522	-
Dividend income received		(1,516,870)	(1,366,723)
Paid for purchase of property, machinery and equipment		(4,253,183)	(555,839)
Net cash (used in) / generated from investing activities		(4,154,531)	2,027,489
Financing activities			
Dividend payments		(8,686,678)	(7,461,310)
Net cash used in financing activities		(8,686,678)	(7,461,310)
Net (decrease)/increase in cash and cash equivalents		(7,506,738)	9,829,349
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	6,117,187	17,136,590

The accompanying notes on pages 7 to 21 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 the State of Kuwait as per memorandum of incorporation no. 966, volume 2, and was listed on the Boursa Kuwait 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 ready made concrete
- Purchasing and importing raw materials, machines, and vehicles for Group purposes.
- Acquisition of movables and real estates for Group 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 information for the period ended 30 June 2018 was authorized for issue by the Parent Company's Board of Directors on 9 August 2018.

2. Basis of preparation

The Group's interim condensed consolidated financial information has been prepared in accordance with the International Accounting Standard No. 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 (IFRSs). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for fair presentation have been included.

Operating results for the six month period ended 30 June 2018 are 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.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and amendments effective as of 1 January 2018. New standards and amendments apply for the first time in 2018. However, they do not impact 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 in Note 4.

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.

- 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 consolidated 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 interim condensed consolidated 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 is effective from 1 January 2018 but it does not have a material effect on the interim condensed consolidated financial information of the Group.

4. Changes in significant accounting policies (continued)

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 interim condensed consolidated financial information for the six month period ended 30 June 2018.

b. IFRS 9: Financial Instruments

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

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

30 June 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 had no significant impact on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial adoption, the financial asset is classified at amortised cost or at fair value through other comprehensive income – debt investments; at fair value through other comprehensive income – equity investments; or at fair value through statement of income. 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 statement of income:
- 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.

4. Changes in significant accounting policies (continued)
b. FRS 9 - Financial Instruments (continued)
Classification and measurement of the financial assets and liabilities (continued)

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 statement of income:

- 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 other comprehensive income. 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 statement of income. 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 statement of income 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 statement of income, 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 statement of income	These assets are subsequently measured at fair value. Net statement of income, including any interest or dividend income, are recognised in the statement of income.
Financial assets Carried at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of income. Any profit or loss on derecognition is recognized in statement of income.
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 statement of income are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to statement of income.
Equity investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net profits and losses are recognised in other comprehensive income and are never reclassified to statement of income.

4. Changes in significant accounting policies (continued)

b. FRS 9 - Financial Instruments (continued)

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

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 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.

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.

4. Changes in significant accounting policies (continued)

b. FRS 9 - Financial Instruments (continued)

Impairment of financial assets (continued)

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:	
- Trade and other receivables	(1,500,000)

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.

4. Changes in significant accounting policies (continued)

b. FRS 9 - Financial Instruments (continued)

Impairment of financial assets (continued)

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 1,500,000.

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 statement of income.
- The designation of certain investments in equity instruments not held for trading as at fair value through other comprehensive income.

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	Amortised cost	13,623,925	13,623,925
Investments at fair value through statement of income (A)	At fair value through statement of income	At fair value through statement of income	19,910,144	19,910,144
Available for sale investments (B)	available for sale	Financial assets at fair value through other comprehensive income	17,453,070	17,453,070
Trade receivables and other receivables (C)	Loans and receivables	Amortised cost	32,395,027	30,895,027
Total financial assets			83,382,166	81,882,166
Financial liabilities				
Trade and other payables	Loans and receivables	Amortised cost	20,863,003	20,863,003
Total financial liabilities			20,863,003	20,863,003

4. Changes in significant accounting policies (continued)

b. FRS 9 - Financial Instruments (continued)

a) 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 fair value through statement of income. The relative profit or loss will be recognized in statement of income.

b) 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 statement of income.

c) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of KD 1,500,000 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.

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 in their interests in the Company in favor of the Parent Company.

6. Financial assets at fair value through statement of other comprehensive income:-

Financial assets at fair value through other comprehensive income 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 fair value through other comprehensive income other than its recognition in profit or loss as they are strategic investments.

	30 June 2018	(Audited) 31 December 2017	30 June 2017
	KD	KD	KD
Financial assets at fair value through statement of comprehensive income			
Quoted securities	14,905,631	-	-
Unquoted securities	100,000	-	-
	15,005,631	-	-

6. Financial assets 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 (17).

	30 June 2018	(Audited) 31 December 2017	30 June 2017
	KD	KD	KD
Available for sale investments			
Quoted securities	-	17,353,070	17,555,888
Unquoted securities	-	100,000	100,000
	-	17,453,070	17,655,888

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

	30 June 2018	(Audited) 31 December 2017	30 June 2017
	KD	KD	KD
Cost			
Carrying value at beginning of the period / year	36,926,966	31,011,222	31,011,222
Additions	4,253,183	6,895,668	555,839
Disposals	(216,085)	(979,924)	-
Balance at end of the period / year	40,964,064	36,926,966	31,567,061
Accumulated depreciation			
Balance at beginning of the period/year	30,769,505	27,770,916	27,770,916
Charge for the period / year	3,255,628	3,978,513	1,143,757
Related to disposals	(191,305)	(979,924)	-
Balance at end of the period/year	33,833,828	30,769,505	28,914,673
Net carrying value at end of the period / year	7,130,236	6,157,461	2,652,388

8. Financial investments at fair value through statement of income

	30 June 2018	(Audited) 31 December 2017	30 June 2017
	KD	KD	KD
Trading:			
Local quoted securities	21,358,222	19,508,655	21,008,801
Quoted foreign securities	117,870	401,489	448,565
	21,476,092	19,910,144	21,457,366

Financial assets are valuated at fair value through statement of income in accordance with note no (17).

9. Trade and other receivables

	30 June 2018 KD	(Audited) 31 December 2017 KD	30 June 2017 KD
Trade receivables	29,223,253	33,648,684	20,539,387
Provision for doubtful debts (a)	(3,113,921)	(1,613,921)	(1,613,921)
	26,109,332	32,034,763	18,925,466
Advance payments	79,278	81,667	68,651
Staff receivables	380,667	265,379	96,255
Refundable deposits	18,218	13,218	13,218
	26,587,495	32,395,027	19,103,590

(A) Movement in provision for doubtful debts is as follows:

	30 June 2018 KD	(Audited) 31 December 2017 KD	30 June 2017 KD
Balance at beginning of the period/year	1,613,921	1,613,921	1,613,921
Impact of adoption of IFRS 9	1,500,000	-	-
	3,113,921	1,613,921	1,613,921

10. Inventories

	30 June 2018 KD	(Audited) 31 December 2017 KD	30 June 2017 KD
Raw materials	436,574	565,431	298,122
Cement	2,197,037	1,671,701	509,227
Steel	4,755,645	3,269,440	4,857,613
Spare Parts	319,607	237,361	41,229
Goods in transit	129,640	97,772	396,368
Cement sacks	60,244	80,322	89,729
	7,898,747	5,922,027	6,192,288
Provision for slow moving inventory	(27,701)	(27,701)	(27,701)
	7,871,046	5,894,326	6,164,587

11. Cash and cash equivalents

	30 June 2018 KD	(Audited) 31 December 2017 KD	30 June 2017 KD
Cash on hand	529,630	157,501	304,896
Bank balances	5,010,725	8,765,215	13,841,197
Cash at investment portfolios	576,832	4,701,209	2,990,497
	6,117,187	13,623,925	17,136,590

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 1,550,634 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

	30 June 2018 KD	(Audited) 31 December 2017 KD	30 June 2017 KD
Trade payables	12,671,360	18,448,456	12,056,547
Accrued expenses	936,061	1,198,099	625,966
Employees' accrued leaves	449,928	456,437	287,060
Due to employees	89,195	71,725	72,541
Contribution to Kuwait Foundation for the Advancement of Sciences	57,884	98,840	54,217
National Labour Support Tax	142,200	235,319	117,210
Zakat	56,880	94,127	46,884
Board of directors' remuneration	130,000	260,000	130,000
	14,533,508	20,863,003	13,390,425

14. Basic earnings per share (fils)

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

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Profit for the period – KD	1,534,782	1,464,232	5,401,457	5,073,401
Weighted average number of outstanding shares (share)	100,221,960	100,221,960	100,221,960	100,221,960
Basic earnings per share (fils)	15.31	14.61	53.90	50.62

15. 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.

15. Related party transactions (continued)

Related parties transactions included in the interim condensed consolidated financial information were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	KD	KD	KD	KD
Condensed consolidated statement of income				
Staff and executive managers:				
Salaries and other benefits	165,677	128,904	331,354	257,808
Directors' remuneration	65,000	65,000	130,000	130,000

16. 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 Six months ended 30 June		Net profit of operating segments Six months ended 30 June	
	2018	2017	2018	2017
	KD	KD	KD	KD
Cement and steel	37,421,627	28,103,879	3,070,923	3,721,978
Ready mix	18,913,004	10,383,503	1,337,419	753,425
Investments	-	-	2,550,621	823,678
Total for operations	56,334,631	38,487,382	6,958,963	5,299,081
Unallocated revenues			870,636	1,493,395
General and administrative expenses			(1,188,978)	(841,289)
Distribution expenses			(692,200)	(469,475)
Other provisions			(160,000)	(60,000)
Contribution to Kuwait			(57,884)	(54,217)
National Labour Support			(142,200)	(117,210)
Zakat			(56,880)	(46,884)
Directors' remuneration			(130,000)	(130,000)
Net profit for the period			5,401,457	5,073,401

16. 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 30 June	
	2018	**2017**
	KD	KD
Assets		
Cement and steel	28,904,405	36,687,005
Ready mix	18,801,559	8,370,150
Investments	36,481,723	39,113,254
	84,187,687	84,170,409

	As at 30 June	
	2018	**2017**
	KD	KD
Liabilities		
Cement and steel	17,823,938	15,160,514
Ready mix	2,864,644	3,422,573
Unallocated	959,096	911,217
	21,647,678	19,494,304

17. 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.

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

30 June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Financial assets at fair value through statement of income				
Quoted equities	21,476,092	-	-	21,476,092
Financial assets at fair value through statement of other comprehensive income				
Quoted securities	14,905,631	-	-	14,905,631
Unquoted securities	-	-	100,000	100,000
Total	36,381,723	-	100,000	36,481,723

17. Fair value measurement (continued)

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

30 June 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Financial assets at fair value through statement of income				
Quoted securities	21,457,366	-	-	21,457,366
Available for sale investments				
Quoted securities	17,555,888	-	-	17,555,888
Unquoted securities	-	-	100,000	100,000
Total	39,013,254	-	100,000	39,113,254

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.

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.

18. Contingent liabilities

	30 June 2018	(Audited) 31 December 2017	30 June 2017
	KD	KD	KD
Letters of guarantee	6,261,120	6,261,120	6,261,120

19. General assembly of shareholders

On 16 April 2018, the shareholders' general assembly was held and approved the consolidated financial statements for the financial year ended 31 December 2017 and distribution of cash dividends at 90% of share capital 90 fils per share to the shareholders registered at the maturity date 7 May 2018 and as of the date of cash dividends 14 May 2018. 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).