شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Kuwait Cement Company K.P.S.C.

And its subsidiaries

State of Kuwait

Interim Condensed Consolidated Financial Information (Unaudited)

And the Review Report for the Six Months Ended 30 June 2020

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

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

Interim Condensed Consolidated Financial Information (Unaudited)
And the Review Report for the Six Months Ended 30 June 2020

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Kuwait Cement Company K.P.S.C.
Kuwait Public Shareholding Company
State of Kuwait

Independent auditors' review report to the board of directors

Report on interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Cement Company K.P.S.C. ("the Parent Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2020, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards (34): "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Other matter

The consolidated financial statements for the year ended 31 December 2019 were audited by another auditor with BDO Al Nisf and Partners, who issued their unmodified opinion on such consolidated financial statements on 1 April 2020.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that nothing have come to our attention indicating any contravention during the six month period ended 30 June 2020, of the Commercial Companies' Law No. 1 of 2016 and its executive regulations, as amended or the Parent Company's Memorandum of incorporation and Articles of Association, as amended, which might have materially affected the Group's activities or its consolidated financial position.

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Kuwait 13 August 2020

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Financial Position (Unaudited)
As at 30 June 2020

(All amounts are in Kuwaiti Dinars)

	Notes	30 June 2020	(Audited) 31 December 2019	30 June 2019
Assets				
Non-current assets				
Property, plant and equipment	5	139,740,932	152,261,624	154,923,926
Intangible assets		16,944	32,852	50,006
Investment properties		770,641	770,641	770,641
Investments in associates	6	16,231,678	15,775,973	15,580,765
Financial assets at fair value through other comprehensive income	7	71,935,648	89,221,830	83,132,640
Right-of-use assets	8	4,239,163	4,488,527	4,737,887
		232,935,006	262,551,447	259,195,865
Current assets				
Inventories	9	17,207,798	16,429,047	17,575,737
Accounts receivable and other debit balances	10	20,556,798	27,471,315	31,299,033
Cash and cash equivalents	11	24,158,260	9,528,618	8,290,179
		61,922,856	53,428,980	57,164,949
Total assets		294,857,862	315,980,427	316,360,814
Equity and liabilities				
Equity				
Share capital	12	73,330,387	73,330,387	73,330,387
Share premium		26,675,810	26,675,810	26,675,810
Treasury shares	13	(13,546,935)	(13,546,935)	(13,546,935)
Gains on sale of treasury shares		441,409	441,409	441,409
Statutory reserve		48,270,703	48,270,703	47,856,817
Voluntary reserve		42,048,346	42,048,346	42,048,346
General reserve		18,930,128	18,930,128	18,930,128
Change of fair value reserve for financial assets at fair value through other comprehensive income		(19,859,996)	(2,347,295)	(8,625,821)
Group's share in associates' reserves		(212,687)	(54,746)	(100,971)
Foreign currency translation reserve		108,360	95,186	95,257
(Accumulated losses)/ retained earnings		(1,777,959)	15,320,862	16,265,535
Equity attributable to shareholders of the Parent Company		174,407,566	209,163,855	203,369,962
Non-controlling interests		147,561	163,843	161,328
Total equity		174,555,127	209,327,698	203,531,290
Liabilities				
Non-current liabilities				
Loans, bank facilities and murabaha	14	57,872,318	57,737,687	63,098,177
Provision for employees' end of service indemnity		3,567,402	3,594,497	3,503,976
Lease liabilities	8	3,473,491	3,933,552	4,226,283
		64,913,211	65,265,736	70,828,436
Current liabilities				
Loans, bank facilities and murabaha	14	28,472,763	18,963,851	16,877,981
Lease liabilities	8	456,268	439,961	259,917
Accounts payable and other credit balances	15	26,460,493	21,983,181	24,863,190
		55,389,524	41,386,993	42,001,088
Total liabilities		120,302,735	106,652,729	112,829,524
Total equity and liabilities		294,857,862	315,980,427	316,360,814

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

Rashed Abdulaziz Al-Rashed
Chairman

Dr. Abdulaziz Rashed Al-Rashed
Vice Chairman

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Income (Unaudited)
For the Six Months Ended 30 June 2020

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
Sales		5,161,298	20,126,913	20,602,672	46,772,030
Cost of sales	16	(16,367,556)	(18,381,368)	(31,082,565)	(41,540,663)
Gross (loss)/ profit		(11,206,258)	1,745,545	(10,479,893)	5,231,367
Other operating income	17	29,310	105,634	22,446	220,338
Selling, general and administrative expenses		(946,680)	(1,124,149)	(1,864,904)	(2,247,574)
(Loss)/ profit from operations		(12,123,628)	727,030	(12,322,351)	3,204,131
Provision for expected credit losses		(3,158,627)	(52,635)	(3,216,009)	(115,644)
Finance charges		(770,326)	(742,806)	(1,398,534)	(1,512,583)
Interest income		20,123	944	20,615	2,035
Net investment gains	18	2,440,902	3,162,024	2,565,644	3,142,694
Group's share of results from associates	6	271,606	87,756	598,565	6,464
Net (loss) /profit before deductions		(13,319,950)	3,182,313	(13,752,070)	4,727,097
Contribution to Kuwait Foundation for the Advancement of Sciences		-	(30,533)	-	(45,464)
National Labor Support Tax		-	(11,331)	-	(45,158)
Zakat		-	(8,039)	-	(22,470)
Board of directors' remuneration		-	(52,000)	-	(104,000)
Net (loss)/ profit for the period		(13,319,950)	3,080,410	(13,752,070)	4,510,005
Attributable to:					
Shareholders of the Parent Company		(13,320,831)	3,078,084	(13,752,774)	4,507,975
Non-controlling interests		881	2,326	704	2,030
Net (loss)/ profit for the period		(13,319,950)	3,080,410	(13,752,070)	4,510,005
Basic and diluted (loss)/ earning per share (fils)	19	(18.68)	4.32	(19.29)	6.32

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

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the Six Months Ended 30 June 2020

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
Net (loss)/ profit for the period		(13,319,950)	3,080,410	(13,752,070)	4,510,005
Other comprehensive income/ (loss) items:					
Items that may be reclassified subsequently in the interim condensed consolidated statement of income:					
Investments in associates:					
Group's share in associates' reserves	6	(171,544)	68,547	(157,941)	(326,158)
Differences of foreign currency translation:					
Group's share of foreign currency translation reserve		135	(36)	13,174	(72)
Items that will not be reclassified subsequently in the interim condensed consolidated statement of income:					
Financial assets at fair value through other comprehensive income:					
Change in fair value of financial assets at fair value through other comprehensive income		4,991,240	8,691,712	(17,502,288)	16,656,025
Total other comprehensive income/ (loss) items for the period		4,819,831	8,760,223	(17,647,055)	16,329,795
Total comprehensive (loss)/ income for the period		(8,500,119)	11,840,633	(31,399,125)	20,839,800
Attributable to:					
Shareholders of the Parent Company		(8,504,026)	11,832,127	(31,381,325)	20,823,601
Non-controlling interests		3,907	8,506	(17,800)	16,199
Total comprehensive (loss)/ income for the period		(8,500,119)	11,840,633	(31,399,125)	20,839,800

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

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the Six Months Ended 30 June 2020

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company													
	Share capital	Share premium	Treasury shares	Gains on sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Change of fair value reserve for financial assets at fair value through other comprehensive income	Group's share in associates' reserves	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	73,330,387	26,675,810	(13,528,077)	441,409	47,856,817	42,048,346	18,930,128	(24,949,961)	225,187	95,329	21,887,300	193,012,675	145,358	193,158,033
Net profit for the period	-	-	-	-	-	-	-	-	-	-	4,507,975	4,507,975	2,030	4,510,005
Total other comprehensive income/ (loss) items for the period	-	-	-	-	-	-	-	16,641,856	(326,158)	(72)	-	16,315,626	14,169	16,329,795
Gain on disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-	(317,716)	-	-	541,583	223,867	(201)	223,666
The Group's share from movements on the associates' retained earnings	-	-	-	-	-	-	-	-	-	-	23,282	23,282	-	23,282
Cash dividends	-	-	-	-	-	-	-	-	-	-	(10,694,605)	(10,694,605)	-	(10,694,605)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(28)	(28)
Purchase of treasury shares	-	-	(18,858)	-	-	-	-	-	-	-	-	(18,858)	-	(18,858)
Balance at 30 June 2019	73,330,387	26,675,810	(13,546,935)	441,409	47,856,817	42,048,346	18,930,128	(8,625,821)	(100,971)	95,257	16,265,535	203,369,962	161,328	203,531,290
Balance at 1 January 2020	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(2,347,295)	(54,746)	95,186	15,320,862	209,163,855	163,843	209,327,698
Net (loss)/ profit for the period	-	-	-	-	-	-	-	-	-	-	(13,752,774)	(13,752,774)	704	(13,752,070)
Total other comprehensive (loss)/ income items for the period	-	-	-	-	-	-	-	(17,483,784)	(157,941)	13,174	-	(17,628,551)	(18,504)	(17,647,055)
Gain on disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-	(28,917)	-	-	203,740	174,823	1,518	176,341
The Group's share from movements' on the associates retained earnings	-	-	-	-	-	-	-	-	-	-	15,081	15,081	-	15,081
Dividends (Note 20)	-	-	-	-	-	-	-	-	-	-	(3,564,868)	(3,564,868)	-	(3,564,868)
Balance at 30 June 2020	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(19,859,996)	(212,687)	108,360	(1,777,959)	174,407,566	147,561	174,555,127

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

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)
For the Six Months Ended 30 June 2020

(All amounts are in Kuwaiti Dinars)

	Notes	Six months ended 30 June 2020	Six months ended 30 June 2019
Cash flows from operating activities			
Net (loss)/ profit for the period		(13,752,070)	4,510,005
Adjustments:			
Depreciation and amortization		5,119,195	4,724,354
Provision for expected credit losses	10	3,216,009	115,643
Gain on sale of property, plant and equipment		(1,094)	(40,244)
Impairment losses of property, plant and equipment	5,16	8,143,627	-
Net investment gains	18	(2,612,566)	(3,190,800)
Finance charges		1,398,534	1,512,583
Interest income		(20,615)	(2,035)
Group's share of results from associates	6	(598,565)	(6,464)
Provision for employees' end of service indemnity		(27,095)	186,016
Net operating profit before working capital changes		865,360	7,809,058
Inventories		(778,751)	1,173,018
Accounts receivable and other debit balances		3,998,622	1,837,307
Accounts payable and other credit balances		496,243	(3,454,825)
Net cash from operating activities		4,581,474	7,364,558
Cash flows from investing activities			
Paid for purchase of property, plant and equipment	5	(434,623)	(2,540,240)
Proceeds on sale of property, plant and equipment		1,094	137,190
Paid for purchase of intangible assets		(1,694)	-
Paid for purchase of financial assets at fair value through other comprehensive income		(2,181,336)	(3,101,894)
Proceeds on sale of financial assets at fair value through other comprehensive income		2,141,471	3,166,438
Dividends received		2,308,855	3,572,578
Interest income received		20,615	2,035
Net cash from investing activities		1,854,382	1,236,107
Cash flows from financing activities			
Withdrawn from loans, bank facilities and murabaha		10,000,000	14,000,000
Paid for loans, bank facilities and murabaha		(414,599)	(11,338,547)
Finance charges paid		(859,995)	(1,413,243)
Lease liabilities		(523,217)	(438,892)
Dividends paid		(8,403)	(10,509,766)
Net change in non-controlling interests		-	(28)
Paid for purchase of treasury shares		-	(18,858)
Net cash from/ (used in) financing activities		8,193,786	(9,719,334)
Net increase/ (decrease) in cash and cash equivalents		14,629,642	(1,118,669)
Cash and cash equivalents at beginning of the period		9,528,618	9,408,848
Cash and cash equivalents at the end of the period	11	24,158,260	8,290,179

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

1. Incorporation and activities

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

The Parent Company's objectives are as follows:

1. Establishing a project for the production of ordinary cement, sulphate resisting portland cement and portland cement for industrial purposes and all kinds of cement.
2. Producing clinker material in all its different types, selling and exporting inside or outside the State of Kuwait.
3. Construction of factories and laboratories needed for achieving the Parent Company's objectives.
4. Dealing in all types of products, materials, tools and machinery relating to the Parent Company's activity and transferring them locally or abroad and importing and selling of aggregates inside or outside the State of Kuwait.
5. The Parent Company may have interests or participate in any suitable way with entities or companies conducting similar activities or which may assist it in achieving its objectives in Kuwait or abroad. It may as well acquire such entities or affiliate them, and participate in incorporation of real estate companies.
6. Utilize the financial surpluses available with the Parent Company by investing the same locally and internationally in financial and real estate portfolios with diferrent types and purposes.
7. Investing the Company's funds by participating in incorporation of companies of all types and with different purposes and in investment funds, inside and outside the State of Kuwait.

The Parent Company's headquarters is located at Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.
The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries (collectively referred to as "the Group"). The disaggregation of such subsidiaries is set out below:

				Percentage of ownership (%)		
					(Audited)	
Name of the Company	Legal entity	Principal activity	Country of Incorporation	30 June 2020	31 December 2019	30 June 2019
Shuwaikh Cement Company	K.S.C.C.	Industrial	State of Kuwait	99.250	99.250	99.250
Amwaj Real Estate Company	K.S.C.C.	Real Estate	State of Kuwait	96.000	96.000	96.000
Kuwait Cement Ready-mix Company	K.S.C.C.	Industrial	State of Kuwait	99.844	99.844	99.844

The financial information prepared by the subsidiary's management was used to prepare interim condensed consolidated financial information for the six month period ended 30 June 2020. The subsidiaries' total assets were KD 34,153,782 as at 30 June 2020 (31 December 2019: KD 37,626,703 and 30 June 2019: KD 41,415,365), and their net losses were KD 1,319,753 for the six month period ended 30 June 2020 (losses of KD 272,887 for the six month period ended 30 June 2019).

The accompanying interim condensed consolidated financial information was authorized for issue by Parent Company's board of directors on 13 August 2020.

2. Basis of presentation and significant accounting policies

2.1 Basis of preparation

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

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

In the opinion of the management all adjustments (including recurring accruals) have been included in the interim condensed consolidated financial information. The operating results for the period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the year ended 31 December 2020. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2019.

2.2 Significant accounting policies

The accounting policies used in preparation of the interim condensed consolidated financial information are consistent with those used in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 and the accompanying notes except for application of new and amended standards that became effective for the current periods as stated below:

New and amended International Financial Reporting Standards (IFRSs)	**Effective for annual periods beginning on or after**
Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".	1 January 2020
Definition of Business - Amendments to IFRS 3 Business Combinations The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have "the ability to contribute to the creation of outputs' rather than 'the ability to create outputs".	1 January 2020

New and amended International Financial Reporting Standards (IFRSs)	**Effective for annual periods beginning on or after**
Amendments to References to the Conceptual Framework in IFRS Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020

The amendments to IFRS which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

3. Financial risk management

3.1 Financial risk

The Group has exposure to credit risk, market risk, liquidity risk and operational risk related to its activities. The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019 except for the following:

Incorporation of forward-looking information

The methodologies and assumptions involved for incorporating forward looking information, including any forecasts of future economic conditions, have been reviewed and updated by the Group in considerations of the COVID-19 and decline in oil price with their corresponding negative impact on the economy.

3.2 Fair value estimation

The fair values of financial assets and liabilities are estimated as follows.

- Level 1: Quoted prices in active markets for quoted financial instruments.
- Level 2: Quoted prices in active markets for similar instruments. Quoted prices in inactive markets for similar assets or liabilities. Observable inputs other than quoted prices of financial instruments.
- Level 3: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of significant financial assets and liabilities are determined:

	Fair value as of				
	30 June 2020	(Audited) 31 December 2019	30 June 2019	Fair value level	Valuation techniques and key inputs
Financial assets at fair value through statement of other comprehensive income:					
Quoted securities	54,961,157	72,158,574	65,296,307	First	Closing price
Funds and portfolios	10,999,327	11,396,885	11,840,681	Second	Net assets value based on the latest available financial statements or on the basis of the last transactions
Unquoted securities	5,975,164	5,666,371	5,995,652	Three	

The fair value of the other financial assets and liabilities equal to their carrying amounts approximately as at the date of interim condensed consolidated financial information.

4. Judgements and estimates

Changes in judgments and estimates uncertainty
The judgments and estimates used in preparation of the interim condensed consolidated financial information are consistent with those used in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 except for the changes highlighted below:

Expected credit losses and modification of financial assets
In determining the impact of novel Coronavirus pandemic (Covid-19), the Group has reassessed its significant judgements and estimates in respect of expected credit losses (including probability of default, loss given default and incorporation of forward looking information) and modification of financial assets as explained in detail in Note (3.1 and 10), which indicate the impact on the interim condensed consolidated financial information.

Fair value measurements and valuation techniques
In determining the impact of (Covid-19) on the fair value of the Group's investments, the management has updated the fair value of the unquoted investments (Note 3.2) and there is no material impact.

Impairment of non-financial assets
The Group performed qualitative assessment of its PPE and ROU assets due to decline in revenues and losses due to the impact of Covid 19. Group management believes these are temporary events and based on its updated budget for 2020, revised cash flow projections etc the management has concluded that there are no impairment to be booked except for the Equipment and tools in the old factory building. Net book value of Equipment and tools in this factory has been impaired due to its technical obsolescence as assessed by the internal technical team assets (note 16).

Impairment of associates

The Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's investment in associate. Management considered the performance outlook and business operation of the CGU to determine whether the carrying amount does not exceed the recoverable amount. Accordingly the management believe that there are no significant uncertainties around the investment in associate and concluded that there is no material impact of COVID -19.

Commitment and contingent liabilities

The Group has assessed the impact of the COVID-19 on the operation activities, including commercial relationships among the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitment and no material impact was noted.

Going concern concept

The Group has performed an assessment of whether there is a going concern in light of current economic conditions and all available information about future risks and uncertainties. The cash flow projections have been re-estimated to reflect Group's outlook of the economic recovery and its future performance as well as the liquidity and any additional capital requirement. Despite fast evolving impact of Covid-19, the current expectations indicate that the Group has sufficient resources to continue in its operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, the interim condensed consolidated financial information has been appropriately prepared on a going concern basis.

5. Property, plant and equipment

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Net carrying value at beginning of period/ year	152,261,624	156,936,158	156,936,158
Additions	434,623	4,656,580	2,540,240
Disposals	-	(103,475)	(96,946)
Impairment losses	(8,143,627)	-	-
Foreign currency translation differences	40,541	-	-
Depreciation for the period/ year	(4,852,229)	(9,227,639)	(4,455,526)
Net carrying value at end of the period/ year	139,740,932	152,261,624	154,923,926

- All property, plant and equipment located on a land leased from the State under leases contracts for a term of five years ending 2024.
- During the current period, the Group management has recorded impairment losses of Property, plant and equipment of KD 8,143,627 (Note 4).

6. Investments in associates

	Country of incorporation	Voting rights and ownership percentage %	Carrying amount		
			30 June 2020	(Audited) 31 December 2019	30 June 2019
Kuwait Rocks Co. K.S.C.C.	State of Kuwait	30.00	-	-	-
Contracting and Marine Services Co. K.S.C.C.	State of Kuwait	33.39	16,231,678	15,775,973	15,580,765
			16,231,678	15,775,973	15,580,765

Movement on investment in associates was as follows:

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Balance at beginning of the period/ year	15,775,973	16,258,955	16,258,955
Group's share in associates' results	598,565	135,338	6,464
Group's share in associates' reserves	(157,941)	(279,933)	(326,158)
Group's share transfer to the retained earnings	15,081	43,390	23,282
Cash dividends received	-	(381,777)	(381,778)
Balance at end of the period/ year	16,231,678	15,775,973	15,580,765

7. Financial assets at fair value through other comprehensive income

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Quoted securities	54,961,157	72,158,574	65,296,307
Unquoted securities	5,975,164	5,666,371	5,995,652
Funds and portfolios	10,999,327	11,396,885	11,840,681
	71,935,648	89,221,830	83,132,640

The quoted investments include investments of KD 23,081,225 as at 30 June 2020 in the shares of National Industries Group Holding K.S.C. (Public), which is one of the major shareholders in the Group (31 December 2019: KD 34,336,884 and 30 June 2019: KD 32,139,103).

8. Leases

The Group as a lessee

The Group leases plot of lands. Leases typically run for a period of five years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

The carrying amounts of the Group's right of use assets and the movement during the period / year are set out below:

	30 June 2020	(Audited) 31 December 2019	30 June 2019
As at beginning of the period / year	4,488,527	4,987,252	4,987,252
Amortization expenses	(249,364)	(498,725)	(249,365)
Balance at end of the period / year	4,239,163	4,488,527	4,737,887

Lease liabilities

Lease liabilities are grouped in the interim condensed consolidated statement of financial position as follows:

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Lease liabilities - Non-current portion	3,473,491	3,933,552	4,226,283
Lease liabilities - Current portion	456,268	439,961	259,917
	3,929,759	4,373,513	4,486,200

	30 June 2020	(Audited) 31 December 2019	30 June 2019
At beginning of the period/year	4,373,513	4,987,252	4,987,252
Lease liabilities paid	(523,217)	(787,467)	(587,916)
Interests of lease liabilities	79,463	173,728	86,864
At the end of the period/year	3,929,759	4,373,513	4,486,200

Below are the amounts recognised in the interim condensed consolidated statement of income:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Amortization expenses of right-of-use assets	124,681	143,773	249,364	249,365
Interest expenses on lease liabilities	36,030	43,431	79,463	86,864
Expenses relating to short-term leases (stated under cost of sales)	77,704	107,466	193,321	224,261
Expenses relating to short-term leases (stated under general and administrative expenses)	5,095	12,066	16,905	21,181
Total amounts recognized in the interim condensed consolidated statement of income for leases	243,510	306,736	539,053	581,671

9. Inventories

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Raw materials	16,563,842	15,855,997	17,311,784
Finished production	643,956	573,050	263,953
	17,207,798	16,429,047	17,575,737

10. Accounts receivable and other debit balances

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Amounts under collection at banks	204,789	427,198	223,204
Receivables against unconditional bank guarantees	3,246,006	3,707,138	4,048,254
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	126,202	424,957	564,073
Related parties (Note 21)	1,285,728	1,510,452	2,237,508
Other trade receivables	18,577,789	21,173,361	23,354,325
Total trade receivables	23,440,514	27,243,106	30,427,364
Other receivables	1,959,969	1,652,905	1,704,073
	25,400,483	28,896,011	32,131,437
Provision for expected credit losses	(6,398,232)	(3,178,626)	(3,044,794)
	19,002,251	25,717,385	29,086,643
Prepaid expenses	593,363	467,722	475,700
Notes receivables	961,184	1,286,208	1,736,690
	20,556,798	27,471,315	31,299,033

The movement of provision for expected credit losses is as follows:

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Balance at beginning of the period/ year	3,178,626	2,929,151	2,929,151
Charge during the period/year	3,216,009	249,475	115,643
Foreign currency translation differences	3,597	-	-
Balance at end of the period/ year	6,398,232	3,178,626	3,044,794

11. Cash and cash equivalents

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Cash on hand and at banks	21,443,815	8,060,462	7,107,831
Cash at investment portfolios	2,714,445	1,468,156	1,182,348
Cash and cash equivalents	24,158,260	9,528,618	8,290,179

12. Share capital

The authorized, issued, and fully paid capital is KD 73,330,387 comprises of 733,303,870 shares as at 30 June 2020 and 31 December 2019 and 30 June 2019, each of a nominal value of 100 fils. All shares are cash shares.

13. Treasury shares

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Number of shares (No's)	20,330,200	20,330,200	20,330,200
Percentage to issued shares (%)	2.77	2.77	2.77
Market value (KD)	3,761,087	4,980,899	6,282,032

The Parent Company is committed to keeping reserves, retained earnings and share premium equal to the purchased treasury shares along acquisition period according to the instructions of the concerned regulatory authorities.

14. Loans, bank facilities and murabaha

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Non-current portion			
Loans	13,480,000	15,400,000	18,220,000
Murabaha	44,392,318	42,337,687	44,878,177
	57,872,318	57,737,687	63,098,177
Current portion			
Loans	7,810,000	5,890,000	6,140,000
Murabaha	20,662,763	13,073,851	10,737,981
	28,472,763	18,963,851	16,877,981
Total loans bank facilities and murabaha	86,345,081	76,701,538	79,976,158

The average effective interest rate on the loans, bank facilities and murabaha was 3.25% as at 30 June 2020 (31 December 2019: 3.5% and 30 June 2019: 3.5%).

The loans and Murabaha's covenants also state that the ratio of net debts to operating profit not be more than (1:12) and the ratio of operating profit to interests not be less than (1:1) and the ratio of net debts to equity more than (1:0.8) and the ratio of liabilities to equity not be more than (1:1.3).

15. Accounts payable and other credit balances

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Suppliers	14,769,221	15,442,714	17,895,106
Accrued interest and expenses	3,727,599	2,816,026	2,244,766
Notes payable	1,354,397	1,415,858	1,459,612
Clients - advance payments	1,945,964	1,198,774	2,005,419
Payable cash dividends	4,526,631	970,166	1,053,563
Contribution to Kuwait Foundation for the Advancement of Sciences	40,002	39,370	123,546
National Labor Support Tax	63,776	63,776	45,158
Zakat	18,593	18,593	22,470
Retention	3,500	3,500	3,500
Other	10,810	14,404	10,050
	26,460,493	21,983,181	24,863,190

16. Cost of sales

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Raw materials	6,177,563	15,285,026	18,193,472	35,061,859
Change in finished goods	(52,712)	71,238	(70,906)	376,226
Impairment losses of property, plant, and equipment	8,143,627	-	8,143,627	-
Salaries and benefits	1,015,001	1,149,815	1,955,062	2,481,770
Rents	77,274	50,135	182,556	165,380
Maintenance and spare parts	305,355	824,646	1,171,236	1,671,465
Depreciations and amortizations	565,642	560,072	1,133,181	1,101,862
Other	135,806	440,436	374,337	682,101
	16,367,556	18,381,368	31,082,565	41,540,663

17. Other operating income

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Net income from investment properties	14,663	31,564	45,812	66,613
Net gains / (losses) from exchange differences	7,540	7,902	(53,580)	15,794
Other revenues	7,107	66,168	30,214	137,931
	29,310	105,634	22,446	220,338

18. Net investment gains

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Financial assets at fair value through other comprehensive income:				
Cash dividends	2,466,207	3,187,369	2,612,566	3,190,800
Portfolio management fees	(25,305)	(25,345)	(46,922)	(48,106)
	2,440,902	3,162,024	2,565,644	3,142,694

19. Basic and diluted (loss) / earning per share

Basic and diluted (loss) / earnings per share are calculated by dividing net (loss) / profit for the period attributable to shareholders of the Parent Company for the year by the weighted average of the number of the existing ordinary shares determined based on number of existing shares of issued capital during the period, taking into account treasury shares. The calculation of basic and diluted (loss) / earning per share is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Net (loss) / profit for the period attributable to shareholders of the Parent Company	(13,320,831)	3,078,084	(13,752,774)	4,507,975
Weighted average number of outstanding shares during the period (shares)	712,973,670	712,973,670	712,973,670	712,975,688
Basic and diluted (loss) / earnings per share (fils)	(18.68)	4.32	(19.29)	6.32

20. General assembly of the Parent Company's Shareholders

The general assembly meeting of the Parent Company's shareholders held on 23 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 and they have approved the following:

- Cash dividends of 5 fils per share of the paid share capital after deducting treasury shares to the concerned shareholders as set out in the schedule approved by the shareholders' general assembly.
- Cancellation of the board of directors' recommendation regarding allocation of free bonus shares for the financial year ended 31 December 2019.

21. Related party transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, associates, and subsidiaries in which the Company has representatives in their board. In the normal course of business, and subject to the approval of the Group's management, transactions were made with such parties during the period ended 30 June 2020. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.
Following is a summary of significant related party transactions:

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Balances			
Account receivable and other debit balances (Note 10)	1,285,728	1,510,452	2,237,508
Provision for employees' end of service indemnity	625,295	618,053	610,602

	Three months ended At 30 June		Six months ended At 30 June	
	2020	2019	2020	2019
Transactions				
Sales	192,248	969,664	831,031	1,815,857
Board of Directors' remuneration	-	52,000	-	104,000
Committees' fees	44,750	37,500	89,500	75,000
Senior management salaries and benefits	122,085	149,085	238,971	297,647

All transactions with related parties are subject to the approval of the shareholders' general assembly.

22. Contingent liabilities and capital commitments

	30 June 2020	(Audited) 31 December 2019	30 June 2019
Contingent liabilities			
Letters of guarantee	793,000	793,000	581,133
Capital commitments			
Letters of Credit	114,006	111,945	740,443
Uncalled subscription relating to investments in funds	321,972	321,972	321,972
Contracts for importing raw materials	7,545,978	9,425,086	12,632,425
Property, plant and equipment	798,058	807,354	673,797

There is a dispute between the Parent Company and a supplier about the financial obligations resulting from the termination of the raw materials supply contract between both parties where that party submitted a financial claim, while Parent Company's management has applied with the Court's judicial arbitration for discharging it from any financial obligations resulting from termination of that contract. During the previous period, a judgment was issued for the release of all the Parent Company's financial obligations towards the supplier. The dispute with the supplier has not been resolved yet and the Parent Company's management believes that the provisions provided are sufficient against all the obligations that might result from this dispute.

23. Segment financial information

The management has grouped the Group's products and services into the following operating segments under IFRS 8 as follows:

The primary segments information as follows:

Operating Segments
The Group has determined the following two major business segments for internal reporting purposes:
- Manufacturing sector which includes production and sale cement and ready mix cement.
- Investments segment

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

	2020			2019		
	Manufacturing sector	Investment Sector	Total	Manufacturing sector	Investment Sector	Total
Segments revenues	20,632,886	3,210,021	23,842,907	46,909,961	3,215,771	50,125,732
Segments gross (loss)/ profit	(15,584,172)	3,210,021	(12,374,151)	3,021,874	3,215,771	6,237,645
Segments assets	203,205,450	91,652,412	294,857,862	215,694,420	100,666,394	316,360,814
Adjustments:						
Segments gross (loss)/ profit			(12,374,151)			6,237,645
Finance charges			(1,398,534)			(1,512,583)
Interest income			20,615			2,035
			(13,752,070)			4,727,097

24. Impact of COVID-19

The World Health Organization declared on 11 March 2020 the Novel Coronavirus (Covid-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. It also led to the emergence of unprecedented uncertainties about the global economic environment.

The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak, on its operations and financial performance. The Group has performed an assessment of COVID-19 implications on the financial results of the Group, in light of IFRSs, and incorporated the outcome in the interim condensed consolidated financial information and explained the changes related to the expected credit losses' approach, estimates and judgements concerning fair value measurement and impairment of non-financial assets and associates as at and for the period ended 30 June 2020.

The Group considered the potential impact of the existing instability of economy on the reported amounts of the Group's financial and non-financial assets. Reported amounts represent the management's best estimate based on the observable information. However, markets remain volatile and the carrying amounts of assets remain sensitive to market fluctuations. The impact of economic environment is still largely reasonable. Accordingly, the Group will continue to reassess its position and associated impact on a regular basis.