

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 2022

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

Interim Condensed Consolidated Financial Information (Unaudited)
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Kuwait Cement Company

Kuwait Public Shareholding Company
State of Kuwait

Report on review of Interim Condensed Consolidated Financial Information to the Board of Directors

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Cement Company K.P.S.C. ("The Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2022, and the 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".

Report on Other Legal and Regulatory Requirement

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 violations during the six month period ended 30 June 2022, 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.

We further report that, based on our review, nothing has come to our attention indicating any material violations during the six month period ended 30 June 2022 of Law No. 7 of 2010, as amended, regarding Establishment of Capital Markets Authority and its Related Regulations, which might have materially affected the Group's business or its consolidated financial position.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 10 August 2022

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Financial Position
As at 30 June 2022 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	30 June 2022	31 December 2021 (Audited)	30 June 2021
Assets				
Non-current assets				
Property, plant and equipment	4	129,577,992	131,497,904	133,012,002
Intangible assets		10	10	10
Investment properties		770,641	770,641	770,641
Investments in associates	5	16,828,016	16,967,298	16,269,001
Financial assets at fair value through other comprehensive income	6	103,599,917	99,793,317	93,112,923
Right-of-use assets	7	3,241,714	3,491,077	3,740,439
		254,018,290	252,520,247	246,905,016
Current assets				
Inventory	8	14,760,162	11,553,886	14,878,062
Accounts receivable and other debit balances	9	15,915,974	13,593,252	14,455,020
Financial assets at fair value through profit or loss		-	5,814,900	-
Cash and cash equivalents	10	10,990,099	11,476,986	13,240,862
		41,666,235	42,439,024	42,573,944
Total assets		295,684,525	294,959,271	289,478,960
Equity and liabilities				
Equity				
Share capital	11	73,330,387	73,330,387	73,330,387
Share premium		26,675,810	26,675,810	26,675,810
Treasury shares	12	(13,546,935)	(13,546,935)	(13,546,935)
Profits on sale of treasury shares		441,409	441,409	441,409
Statutory reserve		48,270,703	48,270,703	48,270,703
Voluntary reserve		42,048,346	42,048,346	42,048,346
General reserve		18,930,128	18,930,128	18,930,128
Investments revaluation reserve		(3,034,286)	1,702,675	968,916
Group's share in associates' reserves		72,436	(10,612)	(165,289)
Foreign currency translation reserve		107,854	107,854	107,854
Retained earnings / (accumulated losses)		1,798,373	4,140,643	(5,448,501)
Equity attributable to Shareholders of the Parent Company		195,094,225	202,090,408	191,612,828
Non-controlling interests		170,900	174,852	167,531
Total equity		195,265,125	202,265,260	191,780,359
Liabilities				
Non-current liabilities				
Loans, bank facilities and Murabaha	13	49,202,519	45,454,617	47,967,633
Provision for employees' end of service indemnity		3,769,139	3,629,392	3,583,824
Lease liabilities	7	2,429,903	2,860,962	2,963,272
		55,401,561	51,944,971	54,514,729
Current liabilities				
Loans, bank facilities and Murabaha	13	19,178,131	18,351,507	19,972,833
Accounts payable and other credit balances	14	25,364,786	21,909,602	22,752,194
Lease liabilities	7	474,922	487,931	458,845
		45,017,839	40,749,040	43,183,872
Total Liabilities		100,419,400	92,694,011	97,698,601
Total equity and liabilities		295,684,525	294,959,271	289,478,960

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

Abdulmuttalib Ismaeel Behbahani
Cheif Executive Officer

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
For the Six Months Ended 30 June 2022 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
Sales		14,423,055	11,335,680	30,530,248	23,867,074
Cost of sales	15	(15,394,051)	(10,741,243)	(31,162,042)	(22,934,566)
Gross (loss) / profit		(970,996)	594,437	(631,794)	932,508
Net other operating income	16	15,029	250,296	62,026	333,712
Selling, general and administrative expenses		(906,883)	(942,963)	(1,838,490)	(1,845,057)
Operating loss		(1,862,850)	(98,230)	(2,408,258)	(578,837)
Provision for expected credit losses		80,364	7,507	37,483	(22,972)
Finance charges		(442,543)	(437,127)	(833,825)	(870,066)
Interest income		1,890	13,568	3,958	24,332
Net investment profits	17	2,247,131	535,565	3,307,492	808,398
Group's share in associates' business results	5	135,915	115,061	149,394	249,770
Net profit / (loss) for the period before deductions		159,907	136,344	256,244	(389,375)
Kuwait Foundation for the Advancement of Science		(4,748)	-	(5,669)	-
National Labour Support Tax		6,489	-	(12,868)	-
Zakat		2,978	-	(2,396)	-
Net profit / (loss) for the period		164,626	136,344	235,311	(389,375)
Attributable to:					
The Parent Company's Shareholders		166,712	136,007	233,677	(387,013)
Non-controlling interests		(2,086)	337	1,634	(2,362)
Net profit / (loss) for the period		164,626	136,344	235,311	(389,375)
Basic and diluted earnings / (loss) per share (fils)	18	0.24	0.19	0.33	(0.54)

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

Kuwait Cement Company K.P.S.C.
And its Subsidiaries
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شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Comprehensive Income
For the Six Months Ended 30 June 2022 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
Net profit / (loss) for the period		164,626	136,344	235,311	(389,375)
Other comprehensive income items:					
Items that may be reclassified subsequently to the interim condensed consolidated statement of income:					
Group's share of associates' reserves	5	6,580	13,559	83,048	10,920
Group's share of foreign currency translation reserve		-	-	-	177
		6,580	13,559	83,048	11,097
Items that will not be reclassified subsequently in the interim condensed consolidated statement of income:					
Changes in fair value of financial assets at fair value through other comprehensive income		(9,198,549)	13,704,490	(3,763,680)	16,115,463
Total other comprehensive (loss) / income items for the period		(9,191,969)	13,718,049	(3,680,632)	16,126,560
Total comprehensive (loss) / income for the period		(9,027,343)	13,854,393	(3,445,321)	15,737,185
Attributable to:					
The Parent Company's Shareholders		(9,017,691)	13,835,721	(3,439,973)	15,718,311
Non-controlling interests		(9,652)	18,672	(5,348)	18,874
Total comprehensive (loss) / income for the period		(9,027,343)	13,854,393	(3,445,321)	15,737,185

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

Kuwait Cement Company K.P.S.C.
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شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Changes in Equity
For the Six Months Ended 30 June 2022 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company													
	Share capital	Share premium	Treasury shares	Profits on sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Investments revaluation reserve	Group's share in associates' reserves	Foreign currency translation reserve	(Accumulated losses) / retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(14,590,317)	(176,209)	107,677	(5,606,536)	175,884,463	148,103	176,032,566
Net loss for the period	-	-	-	-	-	-	-	-	-	-	(387,013)	(387,013)	(2,362)	(389,375)
Total other comprehensive income items for the period	-	-	-	-	-	-	-	16,094,227	10,920	177	-	16,105,324	21,236	16,126,560
Transferred from investments revaluation reserve	-	-	-	-	-	-	-	(534,994)	-	-	534,994	-	-	-
The Group's share from the transferred to retained earnings in associates	-	-	-	-	-	-	-	-	-	-	10,054	10,054	-	10,054
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	554	554
Balance at 30 June 2021	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	968,916	(165,289)	107,854	(5,448,501)	191,612,828	167,531	191,780,359
Balance at 1 January 2022	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	1,702,675	(10,612)	107,854	4,140,643	202,090,408	174,852	202,265,260
Net profit for the period	-	-	-	-	-	-	-	-	-	-	233,677	233,677	1,634	235,311
Total other comprehensive income items for the period	-	-	-	-	-	-	-	(3,756,698)	83,048	-	-	(3,673,650)	(6,982)	(3,680,632)
Transferred from investments revaluation reserve	-	-	-	-	-	-	-	(980,263)	-	-	978,867	(1,396)	1,396	-
The Group's share from the transferred to retained earnings in associates	-	-	-	-	-	-	-	-	-	-	10,054	10,054	-	10,054
Dividends (Note 22)	-	-	-	-	-	-	-	-	-	-	(3,564,868)	(3,564,868)	-	(3,564,868)
Balance at 30 June 2022	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(3,034,286)	72,436	107,854	1,798,373	195,094,225	170,900	195,265,125

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
For the Six Months Ended 30 June 2022 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Six months ended 30 June	
		2022	2021
Cash flows from operating activities			
Net profit / (loss) for the period		235,311	(389,375)
Adjustments:			
Depreciation and amortization		2,635,010	3,663,082
Provision for expected credit losses	9	(37,483)	22,972
Profit on sale of property, plant and equipment		(37,713)	(267)
Net investment profits	17	(3,377,455)	(862,883)
Finance charges		833,825	870,066
Interest income		(3,958)	(24,332)
Group's share in associates' business results	5	(149,394)	(249,770)
Provision for employees' end of service indemnity		139,747	60,914
Net operating profit before working capital changes		237,890	3,090,407
Inventory		(3,206,276)	(1,547,729)
Accounts receivable and other debit balances		(2,285,239)	1,226,661
Accounts payable and other credit balances		(50,691)	734,302
Net cash (used in) / generated from operating activities		(5,304,316)	3,503,641
Cash flows from investing activities			
Paid for the acquisition of property, plant and equipment	4	(483,846)	(215,739)
Proceeds from sale of property, plant and equipment		55,824	1,405
Paid for purchase of financial assets at fair value through other comprehensive income		(12,546,822)	(1,273,085)
Proceeds from sale of financial assets at fair value through other comprehensive income		4,976,542	1,750,102
Paid for purchase of financial assets at fair value through profit or loss		(3,061,607)	-
Proceeds on sale of financial assets at fair value through profit or loss		11,239,298	-
Dividends received		1,396,442	1,244,660
Interest income received		3,958	24,332
Net cash generated from investing activities		1,579,789	1,531,675
Cash flows from financing activities			
Withdrawn from loans, bank facilities and Murabaha		14,000,000	5,000,000
Paid for loans, bank facilities and Murabaha		(9,460,125)	(10,567,075)
Finance charges paid		(717,947)	(800,962)
Repayment of lease liabilities		(557,526)	(586,033)
Dividends payments		(26,762)	(27,905)
Changes in non-controlling interests		-	554
Net cash generated from / (used in) financing activities		3,237,640	(6,981,421)
Net decrease in cash and cash equivalents		(486,887)	(1,946,105)
Cash and cash equivalents at beginning of the period		11,476,986	15,186,967
Cash and cash equivalents at the end of the period	10	10,990,099	13,240,862

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

1. Incorporation and activity

Kuwait Cement Company K.P.S.C. "the Parent Company" is a Kuwaiti Public 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 at large.
2. Construction of factories and laboratories needed for achieving the Company's objectives.
3. Dealing in all types of products, materials, tools and machinery relating to the Company's activity and transferring them locally or abroad and importing and selling of aggregates inside or outside the State of Kuwait.
4. The Company may have interests or participate in any suitable way with entities or companies conducting similar activities or which may assist it in achieving its objectives in Kuwait or abroad. It may as well acquire such entities or affiliate them, and participate in incorporation of real estate companies.
5. Utilize the financial surpluses available with the Company by investing the same locally and internationally in securities and real estate portfolios with different types and purposes.
   - Investment of the Company's funds through:
   - Participating in incorporation of companies of all types and with different purposes.
   - In investment Funds inside and outside the State of Kuwait.
6. Producing clinker material in all its different types, selling and exporting inside or outside the State of Kuwait.
7. Importing chemicals for use in the production of clinker and cement.

The Company may practice the abovementioned activities inside the state of Kuwait and abroad either in its own name or by proxy. It may practice similar, supplementary, necessary or related business to the stated objectives.

The Parent Company's headquarters is located at Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries (together referred to as "the Group"). The disaggregation of such subsidiaries is set out below:

				Percentage of ownership (%)		
					31 December	
Name of the Company	Legal entity	Principal activity	Country of Incorporation	30 June 2022	2021 (Audited)	30 June 2021
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

1. Incorporation and activity (Continued)

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 2022. The subsidiaries' total assets were KD 28,121,326 as at 30 June 2022 (31 December 2021: KD 31,566,116 and 30 June 2021: KD 31,260,400), and their net losses were KD 460,028 for the six month period ended 30 June 2022 (losses of KD 271,318 for the six month period ended 30 June 2021).

The accompanying interim condensed consolidated financial information was authorized for issue by Parent Company's board of directors on 10 August 2022.

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".

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 2021.

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 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2021.

2.2 Changes in significant accounting policies

New standards, interpretations, and amendment adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that was issued but not yet effective.

Several amendments are applied for the first time in 2022, but they do not have an impact on the interim condensed consolidated financial information of the Group.

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

2. Basis of presentation and significant accounting policies (Continued)

2.2 Changes in significant accounting policies (Continued)

New standards, interpretations, and amendment adopted (Continued)

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract (Continued)

The Group applied the amendments to the contracts for which it had not fulfilled all its obligations at the beginning of the reporting period.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no contingent assets and contingent liabilities within the scope of these amendments arisen during the period.

Reference to the Conceptual Framework - Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no contingent assets and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in the statement of profit or loss.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

2. Basis of presentation and significant accounting policies (Continued)

2.2 Changes in significant accounting policies (Continued)

New standards, interpretations, and amendment adopted (Continued)

IFRS 1: First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the Group's consolidated financial statements, based on the Parent Company's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the Parent Company acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the interim condensed consolidated financial information of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 "Agriculture" - Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the interim condensed consolidated financial information of the Group as it did not have assets in scope of IAS 41.

3. 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.

3. Fair value estimation (Continued)

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

	Fair value as of				
	30 June 2022	31 December 2021 (Audited)	30 June 2021	Fair value level	Valuation techniques and key inputs
Financial assets at fair value through statement of other comprehensive income:					
Quoted securities	86,736,807	79,325,423	74,426,595	First	Closing price
Funds and portfolios	10,439,890	12,561,296	11,987,991	Second	Net assets value
Unquoted securities	6,423,220	7,906,598	6,698,337	Three	Based on the revised NBV or on the basis of the last transactions
Financial assets at fair value through profit or loss:					
Quoted securities	-	5,814,900	-	First	Last bid price

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

4. Property, plant and equipment

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Net carrying amount at beginning of the period / year	131,497,904	136,211,120	136,211,120
Additions	483,846	459,559	215,739
Disposals	(18,111)	(2,256)	(1,138)
Depreciation for the period / year	(2,385,647)	(5,170,519)	(3,413,719)
Net carrying amount at end of the period / year	129,577,992	131,497,904	133,012,002

All property, plant and equipment located on a land leased from the State under leases for a term of five years ending 2024 and 2025.

5. Investments in associates

	Country of incorporation	Voting rights and ownership percentage %	Carrying value		
			30 June 2022	31 December 2021 (Audited)	30 June 2021
Kuwait Rocks Co. K.S.C.C. (under liquidation)	State of Kuwait	30.00	-	-	-
Contracting and Marine Services Company - K.S.C.C.	State of Kuwait	33.39	16,828,016	16,967,298	16,269,001
			16,828,016	16,967,298	16,269,001

5. Investments in associates (Continued)

Movement on investment in associates was as follows:

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Balance at beginning of the period / year	16,967,298	16,380,034	16,380,034
Group's share in associates' business results	149,394	783,337	249,770
Group's share of associates' other comprehensive income	83,048	165,597	10,920
Group's share from movement on retained earnings of associates	10,054	20,108	10,054
Cash dividends received	(381,778)	(381,778)	(381,777)
	16,828,016	16,967,298	16,269,001

The Group's share in the results of associate business are recorded based on the audited financial statements for the period ended 31 March 2022.

6. Financial assets at fair value through other comprehensive income

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Quoted securities	86,736,807	79,325,423	74,426,595
Unquoted securities	6,423,220	7,906,598	6,698,337
Funds and portfolios	10,439,890	12,561,296	11,987,991
	103,599,917	99,793,317	93,112,923

The quoted investments include investments amounting to KD 51,117,724 as at 30 June 2022 in the shares of National Industries Group Holding K.P.S.C., which is one of the major shareholders in the Group (31 December 2021: KD 37,050,881, and 30 June 2021: KD 34,258,522).

7. 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 2022	31 December 2021 (Audited)	30 June 2021
As at beginning of the period / year	3,491,077	3,989,802	3,989,802
Amortization expenses	(249,363)	(498,725)	(249,363)
	3,241,714	3,491,077	3,740,439

7. Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Lease liabilities - non-current portion	2,429,903	2,860,962	2,963,272
Lease liabilities - Current portion	474,922	487,931	458,845
	2,904,825	3,348,893	3,422,117

	30 June 2022	31 December 2021 (Audited)	30 June 2021
At beginning of the period/year	3,348,893	3,936,569	3,936,569
Lease liabilities paid	(557,526)	(729,122)	(586,033)
Interests of lease liabilities	113,458	141,446	71,581
	2,904,825	3,348,893	3,422,117

Below are the amounts of short term lease contracts:

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Expenses relating to short-term leases (stated under production cost)	151,481	101,344	239,927	201,491
Expenses relating to short-term leases (stated under general and administrative expenses)	10,650	5,640	25,990	18,275
	162,131	106,984	265,917	219,766

8. Inventory

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Raw materials	13,559,236	10,304,810	13,830,125
Finished goods	543,269	663,034	502,520
Spare parts	657,657	586,042	545,417
	14,760,162	11,553,886	14,878,062

9. Accounts receivable and other debit balances

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Amounts under collection at banks	-	-	633,350
Receivables against unconditional bank guarantees	2,160,565	2,536,949	3,048,437
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	586,817	1,011,370	1,156,900
Related parties (note 19)	320,214	325,385	260,825
Other trade receivables	15,471,603	14,635,883	13,468,963
Total trade receivables	18,539,199	18,509,587	18,568,475
Other receivables	2,096,606	1,984,898	1,879,524
Advance payments suppliers	2,139,655	105,240	222,147
	22,775,460	20,599,725	20,670,146
Provision for expected credit losses	(7,440,926)	(7,478,409)	(7,311,983)
	15,334,534	13,121,316	13,358,163
Prepaid expenses	322,305	188,067	328,856
Notes receivables	259,135	283,869	768,001
	15,915,974	13,593,252	14,455,020

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

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Balance at beginning of the period / year	7,478,409	7,310,882	7,310,882
(Write back) / charge during the period / year	(37,483)	189,399	22,972
Used during the period/year	-	(21,872)	(21,871)
	7,440,926	7,478,409	7,311,983

10. Cash and cash equivalents

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Cash on hand and at banks	5,732,105	7,965,024	9,864,865
Cash at investment portfolios	5,257,994	3,511,962	3,375,997
	10,990,099	11,476,986	13,240,862

11. Share capital

The authorized, issued, and fully paid capital is KD 73,330,387 divided into 733,303,870 shares as at 30 June 2022 and 31 December 2021 and 30 June 2021, each of a nominal value of 100 fils. All shares are cash shares.

12. Treasury shares

	30 June 2022	31 December 2021 (Audited)	30 June 2021
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)	4,594,625	4,614,955	5,102,880

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

13. Loans, bank facilities and Murabaha

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Non-current portion			
Loans	12,800,000	11,720,000	14,640,000
Murabaha	36,402,519	33,734,617	33,327,633
	49,202,519	45,454,617	47,967,633
Current portion			
Loans	5,840,000	4,840,000	3,840,000
Murabaha	13,338,131	13,511,507	16,132,833
	19,178,131	18,351,507	19,972,833
Total loans, bank facilities and Murabaha	68,380,650	63,806,124	67,940,466

The average effective interest rate on the loans, bank facilities and Murabaha was 2.6% as at 30 June 2022 (31 December 2021: 2.4% and 30 June 2021: 2.4%).

The loans and Murabaha covenants state that the ratio of net debts to equity should not be more than (0.8:1) and the ratio of liabilities to equity not to be more than (1.3:1) and the ratio of finance cost to cash generated from operating activities not less than (3:1).

14. Accounts payable and other credit balances

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Suppliers	12,600,227	13,049,132	16,204,133
Accrued interest and expenses	2,129,372	2,969,798	2,662,517
Notes payable	934,887	703,017	1,123,015
Clients - advance payments	5,191,343	4,242,220	1,789,451
payable cash dividends	4,470,207	932,101	958,470
Contribution to Kuwait Foundation for the Advancement of Sciences	5,669	-	579
National Labour Support Tax	12,868	-	-
Zakat	2,396	-	-
Retention	3,500	3,500	3,500
Other	14,317	9,834	10,529
	25,364,786	21,909,602	22,752,194

15. Cost of sales

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Cost of raw materials	12,625,248	8,661,451	25,864,898	18,653,773
Salaries and benefits	1,174,472	834,128	2,420,615	1,724,367
Maintenance and spare parts	832,062	559,403	1,306,283	1,039,726
Depreciations and amortizations	421,084	457,286	844,550	968,230
Rent	82,767	101,344	171,213	201,491
Other	258,418	127,631	554,483	346,979
	15,394,051	10,741,243	31,162,042	22,934,566

16. Net other operating income

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Net income from investment properties	22,455	17,833	43,828	40,183
Net (loss) / profit from exchange differences	(60,873)	60,740	(54,242)	16,684
Other revenues	53,447	171,723	72,440	276,845
	15,029	250,296	62,026	333,712

17. Net investment profits

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Financial assets at fair value through statement of other comprehensive income				
Cash dividends	745,839	567,941	1,014,663	862,883
Portfolio management fees	(34,216)	(32,376)	(69,963)	(54,485)
	711,623	535,565	944,700	808,398
Financial assets at fair value through profit or loss				
Change in fair value	-	-	39,525	-
Realized gains	1,535,508	-	2,323,267	-
	1,535,508	-	2,362,792	-
	2,247,131	535,565	3,307,492	808,398

18. Basic and diluted earnings / (loss) per share

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

18. Basic and diluted earnings/(loss) per share (Continued)

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Net earnings / (loss) for the period attributable to shareholders of the Parent Company	166,712	136,007	233,677	(387,013)
Weighted average number of outstanding shares during the period (shares)	712,973,670	712,973,670	712,973,670	712,973,670
Basic and diluted earnings / (loss) per share (fils)	0.24	0.19	0.33	(0.54)

19. 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 2022. 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 2022	31 December 2021 (Audited)	30 June 2021
Balances			
Receivables and other debit balances (Note 9)	320,214	325,385	260,825
Provision for employees' end of service indemnity	654,693	647,364	639,913

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Transactions				
Sales	190,407	235,095	350,309	411,058
Committees' fees	44,750	44,750	89,500	89,500
Senior management salaries and benefits	90,155	86,948	208,963	204,733

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

20. Contingent liabilities and capital commitments

	30 June 2022	31 December 2021 (Audited)	30 June 2021
Contingent liabilities			
Letters of guarantee	1,003,225	1,003,225	693,001
Capital commitments			
Letters of Credit	710,230	119,090	144,368
Uncalled subscription relating to investments in funds	321,972	321,972	321,972
Contracts for importing raw materials	4,868,691	4,067,764	6,741,786
Property, plant and equipment	703,400	739,305	855,179

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.

21. Segment financial information

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

The primary segments information as follows:

Operating Segments

The Group has determined the following two major business segments for internal reporting purposes:

- Manufacturing sector which includes production and sale cement & ready – mix cement.
- Investments segment

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

	2022			2021		
	Manufacturing sector	Investment Sector	Total	Manufacturing sector	Investment Sector	Total
Segments revenues	30,602,688	3,500,714	34,103,402	24,143,919	1,098,351	25,242,270
Gross (loss)/profit of segments	(2,414,603)	3,500,714	1,086,111	(641,992)	1,098,351	456,359
Segments assets	169,227,957	126,456,568	295,684,525	175,950,398	113,528,562	289,478,960
Adjustments:						
Gross segments profit			1,086,111			456,359
Finance charges			(833,825)			(870,066)
Interest income			3,958			24,332
			256,244			(389,375)

22. General Assembly of the Parent Company's Shareholders

The Parent Company's general assembly of shareholders held on 20 April 2022 approved the consolidated financial statements for the year ended 31 December 2021. It also approved 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.

23. Impact of COVID-19

The Group is gradually recovering from the effects of the Covid-19 epidemic. The operational environment in which the Group operates has recovered reasonably and signs of economic recovery have emerged in the region and around the world. Intensive vaccination rates and strict social spacing procedures have significantly reduced the impact of recent mutations of the virus.