

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 Nine Months Ended 30 September 2020

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

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Deloitte & Touche
Al-Wazzan & Co.
Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174 Safat 13062
Kuwait
Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

Al Shaheed Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait
Tel: +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw

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 September 2020, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards (34) "Interim Financial Reporting".

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

Scope of review

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

A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 nine month period ended 30 September 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.

We further report that, during the course of our review, we have not become aware of any material violations provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2020, that might had a material effect on the business of Group or on its consolidated financial position.

Talal Yousef Al-Muzaini
License No. 209 A
Deloitte & Touche - Al Wazzan & Co.

Faisal Saqer Al Saqer
License No. 172 A
BDO Al Nisf & Partners

Kuwait, 15 November 2020

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Financial Position as at 30 September 2020
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	30 September 2020	31 December 2019 (Audited)	30 September 2019
Assets				
Non-current assets				
Property, plant and equipment	5	137,971,955	152,261,624	153,907,675
Intangible assets		7,849	32,852	41,400
Investment properties		770,641	770,641	770,641
Investments in associates	6	16,151,068	15,775,973	15,788,884
Financial assets at fair value through other comprehensive income	7	74,513,245	89,221,830	82,483,418
Right-of-use assets	8	4,114,483	4,488,527	4,613,208
		233,529,241	262,551,447	257,605,226
Current assets				
Inventories	9	13,804,462	16,429,047	19,201,782
Accounts receivable and other debit balances	10	18,818,257	27,471,315	29,007,991
Cash and cash equivalents	11	16,689,587	9,528,618	8,423,848
		49,312,306	53,428,980	56,633,621
Total assets		282,841,547	315,980,427	314,238,847
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
Fair value reserve for financial assets at fair value through other comprehensive income		(16,816,718)	(2,347,295)	(9,886,845)
Group's share in associates' reserves		(184,002)	(54,746)	(27,203)
Foreign currency translation reserve		108,441	95,186	95,222
(Accumulated losses)/ retained earnings		(3,892,242)	15,320,862	16,407,599
Equity attributable to shareholders of the Parent Company		175,365,327	209,163,855	202,324,735
Non-controlling interests		147,653	163,843	161,334
Total equity		175,512,980	209,327,698	202,486,069
Liabilities				
Non-current liabilities				
Loans, bank facilities and Murabaha	14	57,431,495	57,737,687	62,637,534
Provision for employees' end of service indemnity		3,632,168	3,594,497	3,549,260
Lease liabilities	8	3,516,338	3,933,552	4,178,177
		64,580,001	65,265,736	70,364,971
Current liabilities				
Loans, bank facilities and Murabaha	14	21,671,116	18,963,851	16,343,324
Accounts payable and other credit balances	15	20,658,580	21,983,181	24,784,566
Lease liabilities	8	418,870	439,961	259,917
		42,748,566	41,386,993	41,387,807
Total liabilities		107,328,567	106,652,729	111,752,778
Total equity and liabilities		282,841,547	315,980,427	314,238,847

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 for the nine months ended 30 September 2020 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
Sales		9,509,778	16,914,072	30,112,450	63,686,102
Cost of sales	16	(10,841,774)	(15,334,958)	(41,924,339)	(56,875,621)
Gross (loss)/ profit		(1,331,996)	1,579,114	(11,811,889)	6,810,481
Other operating income	17	89,474	49,391	111,920	269,729
Selling, general and administrative expenses		(849,079)	(849,032)	(2,713,983)	(3,096,606)
(Loss)/ profit from operations		(2,091,601)	779,473	(14,413,952)	3,983,604
Provision for expected credit losses		(75,607)	(49,227)	(3,291,616)	(164,871)
Finance charges		(539,324)	(730,058)	(1,937,858)	(2,242,641)
Interest income		3,781	468	24,396	2,503
Net investment gains / (losses)	18	80,554	(10,707)	2,646,198	3,131,987
Group's share of results of associates	6	272,484	139,378	871,049	145,842
Net (loss) /profit before deductions		(2,349,713)	129,327	(16,101,783)	4,856,424
Contribution to Kuwait Foundation for the Advancement of Sciences		-	(965)	-	(46,429)
National Labor Support Tax		-	(4,486)	-	(49,644)
Zakat		-	(1,051)	-	(23,521)
Board of directors' remuneration		-	(52,000)	-	(156,000)
Net (loss)/ profit for the period		(2,349,713)	70,825	(16,101,783)	4,580,830
Attributable to:					
Shareholders of the Parent Company		(2,347,891)	72,120	(16,100,665)	4,580,095
Non-controlling interests		(1,822)	(1,295)	(1,118)	735
Net (loss)/ profit for the period		(2,349,713)	70,825	(16,101,783)	4,580,830
Basic and diluted (loss)/ earning per share (fils)	19	(3.29)	0.10	(22.58)	6.42

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2020 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
Net (loss)/ profit for the period		(2,349,713)	70,825	(16,101,783)	4,580,830
Other comprehensive income/ (loss) items:					
Items that may be reclassified subsequently-to statement of income:					
Investments in associates:					
Group's share of other comprehensive income of associates	6	28,685	73,768	(129,256)	(252,390)
Differences of foreign currency translation:					
Group's share of foreign currency translation reserve		181	(35)	13,355	(107)
Items that will not be reclassified subsequently statement of income:					
Financial assets at fair value through other comprehensive income:					
Change in fair value of financial assets at fair value through other comprehensive income		3,452,588	(624,741)	(14,049,700)	15,713,166
Total other comprehensive income/ (loss) items for the period		3,481,454	(551,008)	(14,165,601)	15,460,669
Total comprehensive income/ (loss) for the period		1,131,741	(480,183)	(30,267,384)	20,041,499
Attributable to:					
Shareholders of the Parent Company		1,132,584	(480,363)	(30,248,741)	20,025,523
Non-controlling interests		(843)	180	(18,643)	15,976
Total comprehensive income/ (loss) for the period		1,131,741	(480,183)	(30,267,384)	20,041,499

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

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2020
(Unaudited)

(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	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	-	-	-	-	-	-	-	-	-	-	4,580,095	4,580,095	735	4,580,830
Total other comprehensive income/ (loss) items for the period	-	-	-	-	-	-	-	15,697,925	(252,390)	(107)	-	15,445,428	15,241	15,460,669
Transfer of fair value reserve upon disposal of financial assets at FVTOCI	-	-	-	-	-	-	-	(634,809)	-	-	634,809	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	(10,694,605)	(10,694,605)	-	(10,694,605)
Purchase of treasury shares	-	-	(18,858)	-	-	-	-	-	-	-	-	(18,858)	-	(18,858)
Balance at 30 September 2019	73,330,387	26,675,810	(13,546,935)	441,409	47,856,817	42,048,346	18,930,128	(9,886,845)	(27,203)	95,222	16,407,599	202,324,735	161,334	202,486,069
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 for the period	-	-	-	-	-	-	-				(16,100,665)	(16,100,665)	(1,118)	(16,101,783)
Total other comprehensive (loss)/ income items for the period	-	-	-	-	-	-	-	(14,032,075)	(129,256)	13,255	-	(14,148,076)	(17,525)	(14,165,601)
Transfer of fair value reserve upon disposal of financial assets at FVTOCI	-	-	-	-	-	-	-	(437,348)	-	-	437,348	-	2,453	2,453
Group's share of retained earnings movement of associates'	-	-	-	-	-	-	-	-	-	-	15,081	15,081	-	15,081
Cash Dividends (Note 20)	-	-	-	-	-	-	-				(3,564,868)	(3,564,868)	-	(3,564,868)
Balance at 30 September 2020	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(16,816,718)	(184,002)	108,441	(3,892,242)	175,365,327	147,653	175,512,980

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2020 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Nine months ended 30 September	
		2020	2019
Cash flows from operating activities			
Net (loss)/ profit for the period		(16,101,783)	4,580,830
Adjustments:			
Depreciation and amortization		7,063,308	7,224,802
Provision for expected credit losses	10	3,291,616	164,871
Gain on sale of property, plant and equipment		(3,334)	(40,723)
Impairment losses of property, plant and equipment	5,16	8,143,627	-
Net investment gains	18	(2,714,087)	(3,205,842)
Finance charges		1,937,858	2,242,641
Interest income		(24,396)	(2,503)
Group's share of results from associates	6	(871,049)	(145,842)
Provision for employees' end of service indemnity		37,671	231,300
Net operating profit before working capital changes		759,431	11,049,534
Inventories		2,624,585	(453,027)
Accounts receivable and other debit balances		5,357,844	4,079,121
Accounts payable and other credit balances		(2,395,589)	(3,466,503)
Net cash generated from operating activities		6,346,271	11,209,125
Cash flows from investing activities			
Paid for purchase of property, plant and equipment	5	(477,980)	(3,892,223)
Proceeds on sale of property, plant and equipment		5,290	138,740
Paid for purchase of intangible assets		(1,694)	-
Paid for purchase of financial assets at fair value through other comprehensive income		(2,491,990)	(3,957,036)
Proceeds on sale of financial assets at fair value through other comprehensive income		3,153,328	3,484,914
Dividends received		3,095,866	3,587,620
Interest income received		24,396	2,503
Net cash generated from/ (used in) investing activities		3,307,216	(635,482)
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		(7,641,058)	(12,333,847)
Finance charges paid		(1,822,010)	(2,234,413)
Paid from lease liabilities		(556,673)	(400,134)
Dividends paid		(2,472,777)	(10,571,364)
Net change in non-controlling interests		-	(27)
Paid for purchase of treasury shares		-	(18,858)
Net cash used in financing activities		(2,492,518)	(11,558,643)
Net increase/ (decrease) in cash and cash equivalents		7,160,969	(985,000)
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	16,689,587	8,423,848

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

Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020 (Unaudited)
(All amounts are in Kuwaiti Dinar unless otherwise stated)

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 different 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 (%)		
Name of the Company	Legal entity	Principal activity	Country of Incorporation	30 September 2020	(Audited) 31 December 2019	30 September 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 nine month period ended 30 September 2020. The subsidiaries' total assets were KD 35,067,987 as at 30 September 2020 (KD 37,626,703 - 31 December 2019 and KD 40,714,031 - 30 September 2019), and their net losses were KD 2,244,042 for the nine month period ended 30 September 2020 (losses of KD 841,818 for the nine month period ended 30 September 2019).

The accompanying interim condensed consolidated financial information was authorized for issue by Parent Company's board of directors on 15 November 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 September 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:

2.2.1 New and amended standards adopted by the Group

Effective for annual periods beginning on or after January 1, 2020

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
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.

2.2.2 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted from the related expenses on a systematic basis over the periods that the related costs, for which it is intended to compensate. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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 September 2020	31 December 2019 (Audited)	30 September 2019	Fair value level	Valuation techniques and key inputs
Financial assets at fair value through statement of other comprehensive income:					
Quoted securities	57,891,532	72,158,574	65,217,083	First	Closing price
Funds and portfolios	11,028,588	11,396,885	11,861,130	Second	Net assets value
Unquoted securities	5,595,125	5,666,371	5,405,205	Three	Based on the latest available financial statements or on the basis of the last transactions

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) 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 the management has concluded that there are no impairment to be booked except for Equipment and tools in old factory building. The value of Equipment and tools in this factory has been impaired due to technical obsolescence as assessed by the internal technical team (notes 5 and 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 September 2020	31 December 2019 (Audited)	30 September 2019
Net carrying value at beginning of period/ year	152,261,624	156,936,158	156,936,158
Additions	477,980	4,656,580	3,892,223
Disposals	(1,956)	(103,475)	(98,017)
Depreciation for the period/ year	(6,662,567)	(9,227,639)	(6,822,689)
Impairment losses	(8,143,627)	-	-
Foreign currency translation differences	40,501	-	-
Net carrying value at end of the period/ year	137,971,955	152,261,624	153,907,675

- 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 & 16).

6. Investments in associates

	Country of incorporation	Voting rights and ownership percentage %	Carrying amount 30 September 2020	31 December 2019 (Audited)	30 September 2019
Kuwait Rocks Co. K.S.C.C.	Kuwait	30.00	-	-	-
Contracting and Marine Services Co. K.S.C.C.	Kuwait	33.39	16,151,068	15,775,973	15,788,884
			16,151,068	15,775,973	15,788,884

Movement on investment in associates was as follows:

	30 September 2020	31 December 2019 (Audited)	30 September 2019
Balance at beginning of the period/ year	15,775,973	16,258,955	16,258,955
Group's share of results of associates'	871,049	135,338	145,842
Group's share of other comprehensive income of associates'	(129,256)	(279,933)	(234,135)
Group's share of retained earnings movement of associates'	15,081	43,390	-
Cash dividends received	(381,779)	(381,777)	(381,778)
Balance at end of the period/ year	16,151,068	15,775,973	15,788,884

7. Financial assets at fair value through other comprehensive income

	30 September 2020	31 December 2019 (Audited)	30 September 2019
Quoted securities	57,891,532	72,158,574	65,217,083
Funds and portfolios	11,028,588	11,396,885	11,861,130
Unquoted securities	5,593,125	5,666,371	5,405,205
	74,513,245	89,221,830	82,483,418

The quoted investments include investments of KD 23,651,132 as at 30 September 2020 in the shares of National Industries Group Holding K.S.C. (Public), which is one of the major shareholders in the Group (KD 34,336,884 - 31 December 2019 and KD 31,996,895 - 30 September 2019).

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 September 2020	31 December 2019 (Audited)	30 September 2019
As at beginning of the period / year	4,488,527	4,987,252	4,987,252
Amortization expenses	(374,044)	(498,725)	(374,044)
Balance at end of the period / year	4,114,483	4,488,527	4,613,208

Lease liabilities

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

	30 September 2020	31 December 2019 (Audited)	30 September 2019
Lease liabilities - Non-current portion	3,516,338	3,933,552	4,178,177
Lease liabilities - Current portion	418,870	439,961	259,917
	3,935,208	4,373,513	4,438,094

	30 September 2020	31 December 2019 (Audited)	30 September 2019
At beginning of the period/year	4,373,513	4,987,252	4,987,252
Lease liabilities paid	(556,673)	(787,467)	(679,454)
Interests of lease liabilities	118,368	173,728	130,296
At the end of the period/year	3,935,208	4,373,513	4,438,094

Below are the amounts of short term lease contracts:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Amount relating to short-term leases (stated under cost of production)	145,092	91,418	369,912	349,710
Expenses relating to short-term leases (stated under general and administrative expenses)	5,275	999	24,430	25,180
	150,367	92,417	394,342	374,890

9. Inventories

	30 September 2020	31 December 2019 (Audited)	30 September 2019
Raw materials	12,903,521	15,855,997	18,203,432
Finished production	900,941	573,050	998,350
	13,804,462	16,429,047	19,201,782

10. Accounts receivable and other debit balances

	30 September 2020	31 December 2019 (Audited)	30 September 2019
Amounts under collection at banks	30,190	427,198	299,959
Receivables against unconditional bank guarantees	2,916,905	3,707,138	3,634,735
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	175,443	424,957	483,465
Related parties (Note 21)	996,640	1,510,452	1,806,178
Other trade receivables	18,164,248	21,173,361	22,420,838
Total trade receivables	22,283,426	27,243,106	28,645,175
Other receivables	1,676,375	1,652,905	1,675,197
	23,959,801	28,896,011	30,320,372
Provision for expected credit losses	(6,473,840)	(3,178,626)	(3,094,022)
	17,485,961	25,717,385	27,226,350
Prepaid expenses	454,864	467,722	379,552
Notes receivables	877,432	1,286,208	1,402,089
	18,818,257	27,471,315	29,007,991

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

	30 September 2020	31 December 2019 (Audited)	30 September 2019
Balance at beginning of the period/ year	3,178,626	2,929,151	2,929,151
Charge during the period/ year	3,291,616	249,475	164,871
Foreign currency translation differences	3,598	-	-
Balance at end of the period/ year	6,473,840	3,178,626	3,094,022

11. Cash and cash equivalents

	30 September 2020	31 December 2019 (Audited)	30 September 2019
Cash on hand and at banks	12,912,068	8,060,462	7,672,293
Cash at investment portfolios	3,777,519	1,468,156	751,555
Cash and cash equivalents	16,689,587	9,528,618	8,423,848

12. Share capital

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

13. Treasury shares

	30 September 2020	31 December 2019 (Audited)	30 September 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)	5,001,229	4,980,899	5,265,522

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 September 2020	31 December 2019 (Audited)	30 September 2019
Non-current portion			
Loans	13,480,204	15,400,000	18,220,000
Murabaha	43,951,291	42,337,687	44,417,534
	57,431,495	57,737,687	62,637,534
Current portion			
Loans	5,890,000	5,890,000	6,140,000
Murabaha	15,781,116	13,073,851	10,203,324
	21,671,116	18,963,851	16,343,324
Total loans bank facilities and Murabaha	79,102,611	76,701,538	78,980,858

The average effective interest rate on the loans, bank facilities and Murabaha was 2.75% as at 30 September 2020 (3.5% - 31 December 2019 and 3.5% - 30 September 2019).

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

15. Accounts payable and other credit balances

	30 September 2020	31 December 2019 (Audited)	30 September 2019
Suppliers	13,099,650	15,442,714	17,487,771
Accrued interest and expenses	2,535,923	2,816,026	2,620,749
Notes payable	1,436,610	1,415,858	1,551,338
Clients - advance payments	1,470,143	1,198,774	1,922,119
Payable cash dividends	2,062,257	970,166	991,965
Contribution to Kuwait Foundation for the Advancement of Sciences	40,002	39,370	123,909
National Labor Support Tax	-	63,776	49,644
Zakat	-	18,593	23,521
Other	13,995	17,904	13,550
	20,658,580	21,983,181	24,784,566

16. Cost of sales

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Raw materials	8,601,246	12,861,247	26,794,718	47,923,106
Change in finished goods	(256,985)	(321,122)	(327,891)	55,104
Impairment losses of property, plant, and equipment	-	-	8,143,627	-
Salaries and benefits	989,102	960,963	2,944,164	3,442,733
Rents	117,123	124,182	299,679	289,562
Maintenance and spare parts	622,709	1,126,361	1,793,945	2,797,826
Depreciations and amortizations	572,323	577,563	1,705,504	1,679,425
Other	196,256	5,764	570,593	687,865
	10,841,774	15,334,958	41,924,339	56,875,621

17. Other operating income

	Three months ended 30 September		Nine months ended 30 September	
	2020	**2019**	**2020**	**2019**
Net income from investment properties	27,522	44,407	73,334	111,020
Net gains / (losses) from exchange differences	41,782	(2,334)	(11,798)	13,460
Other revenues	20,170	7,318	50,384	145,249
	89,474	49,391	111,920	269,729

18. Net investment gains / (losses)

	Three months ended 30 September		Nine months ended 30 September	
	2020	**2019**	**2020**	**2019**
Financial assets at fair value through other comprehensive income:				
Cash dividends	101,521	15,042	2,714,087	3,205,842
Portfolio management fees	(20,967)	(25,749)	(67,889)	(73,855)
	80,554	(10,707)	2,646,198	3,131,987

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 September		Nine months ended 30 September	
	2020	**2019**	**2020**	**2019**
Net (loss) / profit for the period attributable to shareholders of the Parent Company	(2,347,891)	72,120	(16,100,665)	4,580,095
Weighted average number of outstanding shares during the period (shares)	712,973,670	712,973,670	712,973,670	712,975,008
Basic and diluted (loss) / earnings per share (fils)	(3.29)	0.10	(22.58)	6.42

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 the distribution of 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 September 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 September 2020	31 December 2019 (Audited)	30 September 2019
Balances			
Account receivable and other debit balances (Note 10)	996,640	1,510,452	1,806,178
Provision for employees' end of service indemnity	628,856	618,053	614,328

	Three months ended At 30 September		Nine months ended At 30 September	
	2020	2019	2020	2019
Transactions				
Sales	335,078	813,921	1,166,109	2,629,778
Board of Directors' remuneration	-	52,000	-	156,000
Committees' fees	44,750	37,500	134,250	112,500
Senior management salaries and benefits	116,435	150,244	355,406	447,891

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

22. Contingent liabilities and capital commitments

	30 September 2020	31 December 2019 (Audited)	30 September 2019
Contingent liabilities			
Letters of guarantee	793,000	793,000	581,133
Capital commitments			
Letters of Credit	117,762	111,945	722,268
Uncalled subscription relating to investments in funds	321,972	321,972	321,972
Contracts for importing raw materials	9,813,747	9,425,086	7,192,619
Property, plant and equipment	882,538	807,354	699,640

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 nine month period ended 30 September is as follows:

	2020			2019		
	Manufacturing sector	Investment Sector	Total	Manufacturing sector	Investment Sector	Total
Segments revenues	30,162,834	3,590,581	33,753,415	63,845,968	3,374,232	67,220,200
Segments gross (loss)/ profit	(17,778,902)	3,590,581	(14,188,321)	3,722,330	3,374,232	7,096,562
Segments assets	187,629,074	95,212,473	282,841,547	214,365,748	99,873,099	314,238,847
Adjustments:						
Segments gross (loss)/ profit			(14,188,321)			7,096,562
Finance charges			(1,937,858)			(2,242,641)
Interest income			24,396			2,503
			(16,101,783)			4,856,424

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 September 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.