Hilal Cement Company K.S.C.P.
and Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 JUNE 2020

Building a better
working world

Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF HILAL CEMENT COMPANY K.S.C.P.

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Hilal Cement Company K.S.C.P. (the "Parent Company") and subsidiaries (collectively, the "Group") as at 30 June 2020, and the related interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on the interim condensed consolidated financial information based on our review.

Scope of review
We conducted our review in accordance with 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 IAS 34.

Emphasis of Matter
We draw attention to Note 4 to the interim condensed consolidated financial information which describes the lawsuit filed against the Parent Company by Kuwait Ports Authority which is pending the final verdict. Our conclusion is not modified in respect of this matter.

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 account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

13 August 2020
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2020

	Notes	*Three months ended 30 June*		*Six months ended 30 June*	
		2020	*2019*	***2020***	*2019*
		KD	*KD*	***KD***	*KD*
Sale of goods		**1,478,237**	4,220,852	**5,960,968**	9,656,198
Cost of sales		**(1,595,516)**	(3,739,110)	**(5,568,063)**	(8,361,645)
GROSS (LOSS) PROFIT		**(117,279)**	481,742	**392,905**	1,294,553
Other income		**364,441**	54,354	**403,141**	353,602
Other expenses		**(259,201)**	(503,469)	**(639,900)**	(1,008,810)
Allowance for (write-back of) expected credit losses of trade receivables		**(295,041)**	(138,217)	**(327,141)**	162,654
Impairment of goodwill	10	**-**	-	**(831,761)**	-
Net foreign exchange differences		**5,566**	2,507	**1,743**	696
OPERATING (LOSS) PROFIT		**(301,514)**	(103,083)	**(1,001,013)**	802,695
Finance costs		**(46,801)**	(20,120)	**(76,365)**	(42,585)
(LOSS) PROFIT BEFORE PROVISION FOR TAX AND DIRECTORS' REMUNERATION		**(348,315)**	(123,203)	**(1,077,378)**	760,110
(Write-back of) contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**-**	122	**-**	(8,113)
National Labour Support Tax (NLST)		**(6,578)**	(3,401)	**(7,676)**	(18,620)
Zakat		**(1,290)**	(666)	**(1,505)**	(3,649)
Directors' remuneration		**(6,550)**	(6,550)	**(13,100)**	(13,100)
(LOSS) PROFIT FOR THE PERIOD		**(362,733)**	(133,698)	**(1,099,659)**	716,628
Other comprehensive income		**-**	-	**-**	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		**(362,733)**	(133,698)	**(1,099,659)**	716,628
Attributable to:					
Equity holders of the Parent Company		**(98,226)**	(19,266)	**(904,167)**	853,672
Non-controlling interests		**(264,507)**	(114,432)	**(195,492)**	(137,044)
		(362,733)	(133,698)	**(1,099,659)**	716,628
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	**(1.0) Fils**	(0.2) Fils	**(8.9) Fils**	8.4 Fils

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	Notes	***30 June 2020 KD***	*(Audited) 31 December 2019 KD*	*30 June 2019 KD*
ASSETS				
Non-current assets				
Property, plant and equipment	4	**2,942,871**	3,347,557	4,101,375
Right-of-use assets		**1,398,513**	715,018	607,657
Goodwill	10	**1,273,179**	2,104,940	3,241,484
Term deposits	5	**36,000**	60,000	60,000
		5,650,563	6,227,515	8,010,516
Current assets				
Inventories		**1,299,659**	1,124,332	1,995,239
Accounts receivable and prepayments		**4,027,431**	5,322,091	6,367,392
Cash and short-term deposits	5	**6,426,415**	7,352,131	5,728,550
		11,753,505	13,798,554	14,091,181
TOTAL ASSETS		**17,404,068**	20,026,069	22,101,697
EQUITY AND LIABILITIES				
Equity				
Share capital	6	**10,146,213**	10,146,213	10,146,213
Statutory reserve		**2,096,776**	2,096,776	2,096,776
Voluntary reserve		**574,844**	574,844	574,844
(Accumulated losses) retained earnings		**(2,094,796)**	(1,190,629)	344,145
Equity attributable to the equity holders of the Parent Company		**10,723,037**	11,627,204	13,161,978
Non-controlling interests		**442,561**	638,053	1,054,107
Total equity		**11,165,598**	12,265,257	14,216,085
Non-current liabilities				
Lease liabilities		**1,049,149**	388,398	496,737
Loan from a related party	7	**1,082,900**	1,082,900	1,082,900
Employees' end of service benefits		**841,649**	809,800	792,625
		2,973,698	2,281,098	2,372,262
Current liabilities				
Bank overdraft	5	**-**	-	90,600
Lease liabilities		**183,245**	112,881	104,967
Loan from a related party	7	**387,496**	500,000	500,000
Accounts payable and accruals		**2,694,031**	4,866,833	4,817,783
		3,264,772	5,479,714	5,513,350
Total liabilities		**6,238,470**	7,760,812	7,885,612
TOTAL EQUITY AND LIABILITIES		**17,404,068**	20,026,069	22,101,697

Sayed Salah Sayed Hashem Al Tabtabaei
Chairman

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2020

	Attributable to equity holders of the Parent Company						
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*(Accumulated losses) / Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2020 *(Audited)*	10,146,213	2,096,776	574,844	(1,190,629)	11,627,204	638,053	12,265,257
Loss for the period	-	-	-	(904,167)	(904,167)	(195,492)	(1,099,659)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(904,167)	(904,167)	(195,492)	(1,099,659)
At 30 June 2020	**10,146,213**	**2,096,776**	**574,844**	**(2,094,796)**	**10,723,037**	**442,561**	**11,165,598**
As at 1 January 2019 *(Audited)*	10,146,213	2,096,776	2,096,776	(509,527)	13,830,238	1,191,151	15,021,389
Profit (loss) for the period	-	-	-	853,672	853,672	(137,044)	716,628
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	853,672	853,672	(137,044)	716,628
Dividends paid	-	-	(1,521,932)	-	(1,521,932)	-	(1,521,932)
At 30 June 2019	10,146,213	2,096,776	574,844	344,145	13,161,978	1,054,107	14,216,085

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	*2019*
	Notes	***KD***	*KD*
OPERATING ACTIVITIES			
(Loss) profit before provision for tax and director's remuneration for the period		**(1,077,378)**	760,110
Adjustments to reconcile (loss) profit before tax and director's remuneration to net cash flows:			
Interest income		**(51,501)**	(80,455)
Gain on disposal of property, plant and equipment		**-**	(11,350)
Depreciation of property, plant and equipment		**406,618**	504,316
Depreciation of right-of-use assets		**130,056**	122,059
Provision for (write-back of) impairment of inventories		**-**	(5,808)
Allowance for (write-back of) expected credit losses for trade receivables		**327,141**	(162,654)
Impairment of goodwill	10	**831,761**	-
Provision for employees' end of service benefits		**45,241**	71,955
Finance costs		**76,365**	42,585
Interest expense on lease liabilities		**31,727**	16,535
		720,030	1,257,293
Working capital adjustments:			
Inventories		**(175,327)**	(414,455)
Accounts receivable and prepayments		**957,327**	90,550
Accounts payable and accruals		**(2,126,830)**	(238,592)
Cash flows (used in) from operations		**(624,800)**	694,796
Employees' end of service benefits paid		**(13,392)**	(65,957)
Taxes paid		**-**	(4,473)
Net cash flows (used in) from operating activities		**(638,192)**	624,366
INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(1,932)**	-
Proceeds from disposal of items of property, plant and equipment		**-**	11,350
Interest income received		**61,693**	78,455
Net movement in term deposits		**24,000**	-
Net cash flows from investing activities		**83,761**	89,805
FINANCING ACTIVITIES			
Proceeds from a related party loan	7	**(112,504)**	-
Finance costs paid		**(144,618)**	(14,274)
Payment of lease liabilities		**(114,163)**	(144,547)
Dividends paid	6	**-**	(1,521,932)
Net cash flows used in financing activities		**(371,285)**	(1,680,753)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(925,716)**	(966,582)
Cash and cash equivalents at 1 January		**7,352,131**	6,604,532
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	**6,426,415**	5,637,950

Non-cash items excluded from the interim condensed consolidated statement of cash flows:

Transitional adjustment to right-of-use assets on adoption of IFRS 16		**-**	(729,716)
Transitional adjustment to lease liabilities on adoption of IFRS 16		**-**	729,716
Additions to right-of-use assets		**(813,551)**	-
Additions to lease liabilities		**813,551**	-

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Hilal Cement Company K.S.C.P. (the "Parent Company") and Subsidiaries (collectively, the "Group") for the six months ended 30 June 2020 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 13 August 2020.

The Parent Company was established as a Kuwaiti Shareholding Company on 19 January 1984 and is listed in Boursa Kuwait. The principal activities of the Parent Company are import, storage and distribution of cement and other bulk materials; establishing, operating and managing storage silos; acquiring interest in other companies engaged in similar activities and investing surplus funds through portfolio managers in shares of investment and real estate companies.

The registered office of the Parent Company is located in Marzouk Tower, 19th floor, Building 3, Al-Qibla, Block 14 and the postal address is P.O. Box 20732, 13068, Safat, Kuwait.

The Parent Company is a subsidiary of Suez Cement Company S.A.E. (the "Ultimate Parent Company"), a Company registered in Egypt and its registered head office is located at P.O. Box 2691, Cairo - Egypt.

The shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 16 July 2020 approved the consolidated financial statements for the year ended 31 December 2019.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group, for the six months ended 30 June 2020 has been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

Amendments to IFRS 3: *Definition of a Business*
The amendment to IFRS 3 clarifies 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. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: *Definition of Material*
The amendments provide a new definition of material that states "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."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial information of the Group.

3 (LOSS) EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the(loss) profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the (loss) profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted (loss) earnings per share are identical.

	Three months ended 30 June		*Six months ended 30 June*	
	2020	*2019*	***2020***	*2019*
(Loss) profit for the period attributable to the equity holders of the Parent Company (KD)	**(98,226)**	(19,266)	**(904,167)**	853,672
Weighted average number of shares outstanding during the period	**101,462,130**	101,462,130	**101,462,130**	101,462,130
Basic and diluted (loss) earnings per share	**(1.0) Fils**	(0.2) Fils	**(8.9) Fils**	8.4 Fils

4 PROPERTY, PLANT AND EQUIPMENT

On 29 January 2009, the Parent Company received a notice from Kuwait Port Authority (KPA) to vacate the premises of KPA and remove the barge with a carrying value of KD 1,014,219 (31 December 2019: KD 1,154,761; 30 June 2019: KD 1,295,305) owned by the Parent Company which is moored alongside the berth owned by KPA. A verdict was issued by the Court of First Instance on 8 May 2014 in favour of the Parent Company and KPA has filed an appeal in the 'Court of Appeal'. On 16 April 2017, a verdict was issued against the Parent Company and the Parent Company has filed an appeal in the 'Court of Cassation'.

Further, on 23 October 2014, the Parent Company received a notice from KPA requesting on the increase in rental charges. During the period ended 30 June 2020, the Parent Company entered into a new agreement with KPA which was signed on 29 April 2020.

Although the new agreement is signed with KPA, the final verdict from the 'Court of Cassation' is still pending as at 30 June 2020 and the management believes there will be no material consequential impact on the Group's interim condensed consolidated financial information.

5 CASH AND CASH EQUIVALENTS

For the purpose of interim condensed consolidated statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2020 KD	*(Audited) 31 December 2019 KD*	*30 June 2019 KD*
Cash at bank and in hand	**866,415**	1,092,131	1,208,550
Short-term deposits	**5,560,000**	6,260,000	4,520,000
Cash and short-term deposits	**6,426,415**	7,352,131	5,728,550
Less: Bank overdrafts	**-**	-	(90,600)
Cash and cash equivalents as per statement of cash flows	**6,426,415**	7,352,131	5,637,950

Short term deposits are placed for varying periods of one month to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Restricted deposits of KD 36,000 (31 December 2019: 60,000; 30 June 2019: KD 60,000) are placed with a local financial institution and have original maturities of more than three months from the date of placement. Restricted deposits are not available for use in the Group's day-to-day operations and earn interest at an average effective interest rate of 2.5% (31 December 2019: 2.5%; 30 June 2019: 2.5%) per annum

6 SHARE CAPITAL

The authorised, issued and paid-up capital of the Parent Company comprises of 101,462,130 ordinary shares of 100 fils each (31 December 2019: 101,462,130 shares of 100 fils each and 30 June 2019: 101,462,130 shares of 100 fils each).

7 RELATED PARTY DISCLOSURES

Related parties represent major shareholders, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of payment for these transactions are approved by the Parent Company's management.

The following tables show the aggregate value of transactions and outstanding balances with related parties:

Interim condensed consolidated statement of profit or loss:

	Three months ended 30 June		
	Other related parties KD	***2020 KD***	*2019 KD*
Cost of goods sold	-	**-**	3,558,181
Administrative expenses	8,036	**8,036**	10,820
Finance costs	14,089	**14,089**	21,813

	Six months ended 30 June		
	Other related parties KD	***2020 KD***	*2019 KD*
Cost of goods sold	694,223	**694,223**	4,252,404
Administrative expenses	9,845	**9,845**	12,629
Finance costs	31,927	**31,927**	39,651

7 RELATED PARTY DISCLOSURES (continued)

Interim condensed consolidated statement of financial position:

As at 30 June 2020	***Associate**** ***KD***	***Ultimate Parent Company*** ***KD***	***Other related parties*** ***KD***	***Total*** ***KD***
Amounts due from related parties				
Accounts receivable and prepayments*	**15,228**	**-**	**-**	**15,228**
Amounts due to related parties				
Accounts payable and accruals	**-**	**26,792**	**96,598**	**123,390**
Loan from related parties	**-**	**387,496**	**1,082,900**	**1,470,396**

As at 31 December 2019 (Audited)	*Associate** *KD*	*Ultimate Parent Company* *KD*	*Other related parties* *KD*	*Total* *KD*
Amounts due from related parties				
Accounts receivable and prepayments*	15,228	-	-	15,228
Amounts due to related parties				
Accounts payable and accruals	-	-	752,785	752,785
Loan from related parties	-	500,000	1,082,900	1,582,900

As at 30 June 2019	*Associate** *KD*	*Ultimate Parent Company* *KD*	*Other related parties* *KD*	*Total* *KD*
Amounts due from related parties				
Accounts receivable and prepayments*	15,228	-	-	15,228
Amounts due to related parties				
Accounts payable and accruals	-	-	821,575	821,575
Loan from related parties	-	500,000	1,082,900	1,582,900

* This represent receivables from an associate has no specified repayment terms and are repayable on demand. The investment in associate has been fully impaired in prior periods.

Loan from a related party amounting to KD 1,082,900 (31 December 2019: KD 1,082,900; 30 June 2019: KD 1,082,900) carries an effective interest rate of 5% p.a. (31 December 2019: 5% p.a.; 30 June 2019: 5% p.a.) and is expected to be settled more than twelve months after the reporting period.

Loan from a related party amounting to KD 387,496 (31 December 2019: KD 500,000; 30 June 2019: KD 500,000) carries an effective interest rate of 4.4% p.a. and is expected to be settled within one year from the reporting period.

7 RELATED PARTY DISCLOSURES (continued)

Compensation of key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were, as follows:

	Three months ended 30 June		*Six months ended 30 June*		*Balance outstanding as at 30 June*	
	2020 KD	*2019 KD*	***2020 KD***	*2019 KD*		
Salaries and short-term benefits	**48,985**	42,549	**102,664**	114,162	**20,217**	9,426
Employees end of service benefits	**8,473**	851	**10,991**	2,063	**242,103**	174,046
Directors' remuneration	**6,550**	6,550	**13,100**	13,100	**39,300**	15,843
	64,008	49,950	**126,755**	129,325	**301,620**	199,315

The Board of Directors at the meeting held on 3 March 2020 proposed directors' remuneration of KD 26,196 for the year ended 31 December 2019. The remuneration was approved by the shareholders at the AGM held on 16 July 2020.

8 CONTINGENCIES

As at 30 June 2020, the Group provided guarantees in the ordinary course of the business amounting to KD 166,318 (31 December 2019: KD 156,000; 30 June 2019: KD 156,000). No material liabilities are expected to arise.

9 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services and has two reportable operating segments i.e. trading materials and manufacturing materials. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment. The segment performance is evaluated based on operating loss or profit.

The following table presents revenue and profit information for the Group's operating segments for the six months ended 30 June 2020 and 30 June 2019, respectively:

	Trading units KD	***Manufacturing units KD***	***Total KD***	***Adjustments and eliminations KD***	***Consolidated KD***
Six months ended 30 June 2020					
Segment revenue					
External customer	**2,338,342**	**3,622,626**	**5,960,968**	**-**	**5,960,968**
Inter-segment	**923,080**	**-**	**923,080**	**(923,080)**	**-**
Intra-segment	**-**	**1,013,060**	**1,013,060**	**(1,013,060)**	**-**
Total revenue	**3,261,422**	**4,635,686**	**7,897,108**	**(1,936,140)**	**5,960,968**
Segment expenses					
Cost of inventories recognised as an expense	**(2,823,619)**	**(3,482,708)**	**(6,306,327)**	**1,936,140**	**(4,370,187)**
Depreciation	**(278,045)**	**(258,629)**	**(536,674)**	**-**	**(536,674)**
Impairment of goodwill	**(831,761)**	**-**	**(831,761)**	**-**	**(831,761)**
Segment results	**(678,415)**	**(398,963)**	**(1,077,378)**	**-**	**(1,077,378)**

9 SEGMENT INFORMATION (continued)

	Trading units KD	*Manufacturing units KD*	*Total KD*	*Adjustments and eliminations KD*	*Consolidated KD*
Six months ended 30 June 2019					
Segment revenue					
External customer	3,462,845	6,193,353	9,656,198	-	9,656,198
Inter-segment	1,843,549	-	1,843,549	(1,843,549)	-
Intra-segment	-	1,297,637	1,297,637	(1,297,637)	-
Total revenue	5,306,394	7,490,990	12,797,384	(3,141,186)	9,656,198
Segment expenses					
Cost of inventories recognised as an expense	(4,223,426)	(5,692,601)	(9,916,027)	3,141,186	(6,774,841)
Depreciation	(302,203)	(324,172)	(626,375)	-	(626,375)
Segment results	1,039,792	(279,682)	760,110	-	760,110

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2020, 31 December 2019 and 30 June 2019, respectively:

	Trading units KD	***Manufacturing units KD***	***Total KD***	***Adjustments and eliminations KD***	***Consolidated KD***
At 30 June 2020					
Segment assets	**16,873,528**	**12,442,095**	**29,315,623**	**(11,911,555)**	**17,404,068**
Segment liabilities	**1,581,363**	**8,818,646**	**10,400,009**	**(4,161,539)**	**6,238,470**
At 31 December 2019 (Audited)					
Segment assets	17,520,240	14,144,600	31,664,840	(11,638,771)	20,026,069
Segment liabilities	2,359,140	10,122,188	12,481,328	(4,720,516)	7,760,812
At 30 June 2019					
Segment assets	17,633,007	15,235,319	32,868,326	(10,766,629)	22,101,697
Segment liabilities	2,506,712	10,363,818	12,870,530	(4,984,918)	7,885,612

10 IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways.

The currently known impact of COVID-19 on the Group are:

- Sales volumes for the quarter down sequentially and down year-over-year. The sequential decline was a result of lower trading activity, primarily driven by the impacts from COVID-19, such as state-imposed production downtimes and construction stoppages on major infrastructure projects.
- Revenue of KD 1,934,049 for the quarter, down by 75% sequentially and 54% year-over-year.
- Operating loss of KD 1,001,013 for the quarter, down by KD 397,985 sequentially and increased by KD 1,803,708 year-over-year.

10 IMPACT OF COVID-19 (continued)

The Group is taking a number of actions in response to the current market environment, including the following:

- Approved a plan to reduce net capital expenditures for the year 2020.
- Launched a comprehensive action plan across the Group at the end of June that focuses on cost savings and on maintaining high level of liquidity. This includes, for example, minimising all non-essential expenses, reducing personnel costs, and voluntary reductions in management salaries.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer-term impact on the Group's business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the Group's liquidity.

The Group anticipates that in individual core markets, construction activities are likely to benefit in the medium term from infrastructure and other economic stimulus programmes launched by the government.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur additional impairments on its assets in 2020. Given the ongoing economic uncertainty, the exact impact on the Group's activities in the remainder of 2020 and thereafter cannot be predicted at this stage.

This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 June 2020.

10.1 Risk management

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 30 June 2020, there were no changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2019.

10.1.1 Credit risk

The management has assessed the credit risk objectives and policies of the Group as a result of the outbreak and expects no significant change as compared to audited consolidated financial statements of 31 December 2019. The management determined that the impairment loss is immaterial as cash and short-term deposits are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies and for trade receivables, the outstanding receivables are monitored on an ongoing basis and the maximum risk position from trade receivables corresponds to the carrying amount. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months for individual and corporate customers respectively.

10.1.2 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

- Day to day funding is managed by monitoring future cash flows to ensure that working capital requirements can be met. This includes replenishment of funds as they mature;
- Maintaining rolling forecasts of the Group's overall liquidity position on the basis of expected cash flows; and
- Monitoring liquidity ratios and net current assets.

The Group expects an impact on its liquidity due to COVID-19 outbreak. Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure. Further, the Group aims to maintain the level of its cash and short-term deposits at an amount in excess of expected cash outflows on financial liabilities.

10 IMPACT OF COVID-19 (continued)

10.2 Use of estimates and assumptions
The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial information is prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in stock prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Group.

Information about key assumptions and estimation uncertainties at the reporting date that have a risk of resulting in a material adjustment to the carrying amounts of assets in the reporting period is described below:

Property and equipment and right of use assets
As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

As the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

Goodwill
The carrying amount of goodwill is allocated to manufacturing units as disclosed under segment information (Note 9). Reviews for indicators of impairment and any resulting tests for impairment of the segment units are performed at the interim reporting date in the same manner as at the annual reporting date. With the recent developments of the COVID-19 outbreak, there are both external and internal sources of information, such as overall decline in the activities, as well as ongoing economic uncertainty, which have led to decreased demand for the products or services indicating that the segment units may be impaired. Accordingly, the management concluded that the cash generating unit (CGU) should be tested for impairment.

Impairment assessment of goodwill
Management considered, amongst other factors, the negative outlook due to the impact of the coronavirus pandemic in the determination of the recoverable amount of the CGU.

The recoverable amount was estimated based on the present value of the future cash flows expected to be derived from the CGU (value in use). The value in use calculation is determined based on reasonable and supportable assumptions concerning projections approved by management (as part of the budget). These cash flows cover a five-year period using an average annual growth rate of 14% over the forecast period based on past performance and management's expectations of market development. The discount rate applied to cash flow projections is 12.41% and cash flows beyond the five-year budget period are extrapolated using a 2.5% long-term growth rate.

As a result of the analysis, the recoverable amount of the entire CGU based on value in use as at 30 June 2020 was estimated to be KD 1,273,179, hence the carrying value has exceeded the recoverable amount by KD 831,761 as of that date, and accordingly, management has identified impairment loss of KD 831,761 during the period ended 30 June 2020 (30 June 2019: Nil). This is largely as a result of the negative economic outlook related to the consequences of the coronavirus pandemic. The impairment loss was fully allocated to goodwill and included in the interim condensed consolidated statement of profit or loss.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use, there are no significant changes to the key assumptions disclosed in the annual consolidated financial statements for the year ended 31 December 2019. Any adverse change in a key assumptions could result in a further impairment loss.

Trade receivables
The Group uses the simplified model in calculation the ECL for trade receivables that do not contain a significant financing component by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group identifies the expected real growth of the construction industry in which the Group operates and accordingly adjusts the historical loss rates based on expected changes in these factors.

10 IMPACT OF COVID-19 (continued)

Trade receivables (continued)

The Group will continue to individually assess exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

10.3 Subsequent events

The implications of COVID-19 are ongoing and the ultimate outcome of this event is unknown and therefore the full impact on the Group for events and circumstances that arose after the reporting date cannot be reasonably quantified at the authorisation date of this interim condensed consolidated financial information. The effect of COVID-19 on the Group as and when known will be incorporated into the determination of the Group's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.