

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (UNAUDITED)**

**30 SEPTEMBER 2020**

## **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 September 2020, and the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month 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 nine-month period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 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

12 November 2020

Kuwait

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2020

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2020	2019	2020	2019
		KD	KD	KD	KD
Sale of goods		2,877,159	4,142,985	8,838,127	13,799,183
Cost of sales		(2,812,888)	(3,663,019)	(8,380,951)	(12,024,664)
<b>GROSS PROFIT</b>		<b>64,271</b>	479,966	<b>457,176</b>	1,774,519
Other income		19,831	37,575	422,972	391,177
Other expenses		(302,780)	(400,792)	(942,680)	(1,409,602)
Allowance for expected credit losses of trade receivables		(63,305)	(201,773)	(390,446)	(39,119)
Impairment of goodwill	10	-	-	(831,761)	-
Net foreign exchange differences		1,034	5,646	2,777	6,342
<b>OPERATING (LOSS) PROFIT</b>		<b>(280,949)</b>	(79,378)	<b>(1,281,962)</b>	723,317
Finance costs		(33,834)	(34,464)	(110,199)	(77,049)
<b>(LOSS) PROFIT BEFORE PROVISION FOR TAX AND DIRECTORS' REMUNERATION</b>		<b>(314,783)</b>	(113,842)	<b>(1,392,161)</b>	646,268
Reversal of (Allowance) contribution for Kuwait Foundation for the Advancement of Sciences (KFAS)		-	415	-	(7,698)
Reversal of (Allowance for) National Labour Support Tax (NLST)		7,676	(3,602)	-	(22,222)
Reversal of (Allowance for) Zakat		1,505	(706)	-	(4,355)
Reversal of (Allowance for) Directors' remuneration		2,900	(6,546)	(10,200)	(19,646)
<b>(LOSS) PROFIT FOR THE PERIOD</b>		<b>(302,702)</b>	(124,281)	<b>(1,402,361)</b>	592,347
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>		<b>(302,702)</b>	(124,281)	<b>(1,402,361)</b>	592,347
<b>Attributable to:</b>					
Equity holders of the Parent Company		(201,527)	(52,261)	(1,105,694)	801,411
Non-controlling interests		(101,175)	(72,020)	(296,667)	(209,064)
		<b>(302,702)</b>	(124,281)	<b>(1,402,361)</b>	592,347
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	3	<b>(1.99) Fils</b>	(0.52) Fils	<b>(10.90) Fils</b>	7.90 Fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

		30 September 2020 KD	(Audited) 31 December 2019 KD	30 September 2019 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	2,745,065	3,347,557	3,852,138
Right-of-use assets		1,333,488	715,018	547,072
Goodwill	10	1,273,179	2,104,940	3,241,484
Term deposits	5	36,000	60,000	60,000
		<u>5,387,732</u>	<u>6,227,515</u>	<u>7,700,694</u>
<b>Current assets</b>				
Inventories		1,219,124	1,124,332	1,738,310
Accounts receivable and prepayments		3,550,436	5,322,091	5,709,515
Cash and short-term deposits	5	6,618,857	7,352,131	6,189,626
		<u>11,388,417</u>	<u>13,798,554</u>	<u>13,637,451</u>
<b>TOTAL ASSETS</b>		<u>16,776,149</u>	<u>20,026,069</u>	<u>21,338,145</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
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		<u>(2,296,323)</u>	<u>(1,190,629)</u>	<u>291,884</u>
<b>Equity attributable to the equity holders of the Parent Company</b>		<u>10,521,510</u>	<u>11,627,204</u>	<u>13,109,717</u>
Non-controlling interests		341,386	638,053	982,087
<b>Total equity</b>		<u>10,862,896</u>	<u>12,265,257</u>	<u>14,091,804</u>
<b>Non-current liabilities</b>				
Lease liabilities		1,029,469	388,398	412,875
Loan from a related party	7	1,082,900	1,082,900	1,082,900
Employees' end of service benefits		831,950	809,800	796,449
		<u>2,944,319</u>	<u>2,281,098</u>	<u>2,292,224</u>
<b>Current liabilities</b>				
Lease liabilities		178,733	112,881	145,398
Loan from a related party	7	216,630	500,000	500,000
Accounts payable and accruals		2,573,571	4,866,833	4,308,719
		<u>2,968,934</u>	<u>5,479,714</u>	<u>4,954,117</u>
<b>Total liabilities</b>		<u>5,913,253</u>	<u>7,760,812</u>	<u>7,246,341</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>16,776,149</u>	<u>20,026,069</u>	<u>21,338,145</u>

  
Sayed Salah Sayed Hashem Al Tabtabaei  
Chairman

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

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2020

	<i>Attributable to equity holders of the Parent Company</i>						<i>Total KD</i>
	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>(Accumulated losses)/ Retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	
As at 1 January 2020 <i>(Audited)</i>	10,146,213	2,096,776	574,844	(1,190,629)	11,627,204	638,053	12,265,257
Loss for the period	-	-	-	(1,105,694)	(1,105,694)	(296,667)	(1,402,361)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,105,694)	(1,105,694)	(296,667)	(1,402,361)
<b>At 30 September 2020</b>	<b>10,146,213</b>	<b>2,096,776</b>	<b>574,844</b>	<b>(2,296,323)</b>	<b>10,521,510</b>	<b>341,386</b>	<b>10,862,896</b>
As at 1 January 2019 <i>(Audited)</i>	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	-	-	-	801,411	801,411	(209,064)	592,347
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	801,411	801,411	(209,064)	592,347
Dividends paid	-	-	(1,521,932)	-	(1,521,932)	-	(1,521,932)
At 30 September 2019	10,146,213	2,096,776	574,844	291,884	13,109,717	982,087	14,091,804

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

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the nine months ended 30 September 2020

	Notes	Nine months ended 30 September	
		2020 KD	2019 KD
<b>OPERATING ACTIVITIES</b>			
(Loss) profit before provision for tax and director's remuneration for the period		(1,392,161)	646,268
<i>Adjustments to reconcile (loss) profit before tax and director's remuneration to net cash flows:</i>			
Interest income		(69,244)	(115,626)
Gain on disposal of property, plant and equipment		(30)	(11,350)
Depreciation of property, plant and equipment		604,829	753,553
Depreciation of right-of-use assets		195,081	183,175
Provision for (write-back of) impairment of inventories		-	(5,808)
Allowance for expected credit losses of trade receivables		390,446	39,119
Impairment of goodwill	10	831,761	-
Provision for employees' end of service benefits		61,074	95,669
Interest on borrowings		63,459	53,309
Interest on lease liabilities		46,740	23,740
		<u>731,955</u>	<u>1,662,049</u>
<i>Working capital adjustments:</i>			
Inventories		(94,792)	(157,526)
Accounts receivable and prepayments		1,373,321	581,824
Accounts payable and accruals		(2,350,707)	(754,873)
Cash flows (used in) from operations		(340,223)	1,331,474
Employees' end of service benefits paid		(38,924)	(85,847)
Taxes paid		-	(4,473)
<b>Net cash flows (used in) from operating activities</b>		<u>(379,147)</u>	<u>1,241,154</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		(2,337)	-
Proceeds from disposal of items of property, plant and equipment		30	11,350
Interest income received		77,132	78,455
Net movement in term deposits		24,000	-
<b>Net cash flows from investing activities</b>		<u>98,825</u>	<u>89,805</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of a related party loan	7	(283,370)	-
Finance costs paid		(16,214)	(28,222)
Payment of lease liabilities		(153,368)	(195,711)
Dividends paid	6	-	(1,521,932)
<b>Net cash flows used in financing activities</b>		<u>(452,952)</u>	<u>(1,745,865)</u>
<b>NET DECREASE IN CASH AND SHORT-TERM DEPOSITS</b>		<u>(733,274)</u>	<u>(414,906)</u>
Cash and short-term deposits at 1 January		7,352,131	6,604,532
<b>CASH AND SHORT-TERM DEPOSITS AT 30 SEPTEMBER</b>	5	<u><u>6,618,857</u></u>	<u><u>6,189,626</u></u>
<b>Non-cash items excluded from the interim condensed consolidated statement of cash flows:</b>			
Transitional adjustment to right-of-use assets on adoption of IFRS 16		-	730,247
Transitional adjustment to lease liabilities on adoption of IFRS 16		-	(730,247)
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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**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 nine months ended 30 September 2020 was authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 12 November 2020.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the Parent Company’s shareholders at the annual general assembly meeting (“AGM”) held on 16 July 2020. No dividends were declared by the Parent Company.

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

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

**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 nine months ended 30 September 2020 has been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”).

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (“KD”), which is the functional currency of the Parent Company.

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 IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform***

The amendments to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**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)**

**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.

**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.

**Amendments to IFRS 16 COVID-19 Related Rent Concessions**

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the interim condensed consolidated financial information of the Group.

**3 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.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
(Loss) profit for the period attributable to the equity holders of the Parent Company (KD)	<u>(201,527)</u>	<u>(52,261)</u>	<u>(1,105,694)</u>	<u>801,411</u>
Weighted average number of shares outstanding during the period	<u>101,462,130</u>	<u>101,462,130</u>	<u>101,462,130</u>	<u>101,462,130</u>
<b>Basic and diluted EPS</b>	<u><b>(1.99) Fils</b></u>	<u><b>(0.52) Fils</b></u>	<u><b>(10.90) Fils</b></u>	<u><b>7.90 Fils</b></u>

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

### 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 943,948 (31 December 2019: KD 1,154,761; 30 September 2019: KD 1,225,033) 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 September 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 September 2020 and the management believes there will be no material consequential impact on the Group's interim condensed consolidated financial information.

### 5 CASH AND SHORT-TERM DEPOSITS

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Cash at bank and in hand	<b>1,318,857</b>	1,092,131	1,269,626
Short-term deposits	<b>5,300,000</b>	6,260,000	4,920,000
<b>Cash and short-term deposits</b>	<b><u>6,618,857</u></b>	<u>7,352,131</u>	<u>6,189,626</u>

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: KD 60,000; 30 September 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 2.2% (31 December 2019: 2.5%; 30 September 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 September 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.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

### 7 RELATED PARTY DISCLOSURES (continued)

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

#### Interim condensed consolidated statement of profit or loss:

	<i>Three months ended 30 September</i>			
	<i>Ultimate Parent Company</i>	<i>Other related parties</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cost of goods sold	-	694,223	<b>694,223</b>	1,451,511
Administrative expenses	14,749	-	<b>14,749</b>	4,993
Finance costs	-	51,206	<b>51,206</b>	20,077

	<i>Nine months ended 30 September</i>			
	<i>Ultimate Parent Company</i>	<i>Other related parties</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cost of goods sold	-	694,223	<b>694,223</b>	5,703,915
Administrative expenses	24,594	-	<b>24,594</b>	17,622
Finance costs	-	54,955	<b>54,955</b>	59,728

#### Interim condensed consolidated statement of financial position:

<i>As at 30 September 2020</i>	<i>Associate*</i>	<i>Ultimate Parent Company</i>	<i>Other related parties</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Accounts receivable and prepayments				
- Receivables from a related party*	<b>15,228</b>	-	-	<b>15,228</b>
Accounts payable and accruals				
- Payables to related parties	-	<b>13,900</b>	<b>94,496</b>	<b>108,396</b>
Loan from related parties	-	<b>216,630</b>	<b>1,082,900</b>	<b>1,299,530</b>

<i>As at 31 December 2019 (Audited)</i>	<i>Associate*</i>	<i>Ultimate Parent Company</i>	<i>Other related parties</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Accounts receivable and prepayments				
- Receivables from a related party*	15,228	-	-	15,228
Accounts payable and accruals				
- Payables to related parties	-	-	752,785	752,785
Loan from related parties	-	500,000	1,082,900	1,582,900

<i>As at 30 September 2019</i>	<i>Associate*</i>	<i>Ultimate Parent Company</i>	<i>Other related parties</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Accounts receivable and prepayments*				
- Receivables from a related party*	15,228	-	-	15,228
Accounts payable and accruals				
- Payables to related parties	-	-	459,651	459,651
Loan from related parties	-	500,000	1,082,900	1,582,900

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

### 7 RELATED PARTY DISCLOSURES (continued)

\* This represents receivables from an associate. The outstanding balance has no specified repayment terms and is 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 September 2019: KD 1,082,900) carries an effective interest rate of 5% p.a. (31 December 2019: 5% p.a.; 30 September 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 216,630 (31 December 2019: KD 500,000; 30 September 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.

### 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:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>		<i>Balance outstanding as at 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and short-term benefits	<b>37,522</b>	25,171	<b>140,186</b>	162,260	<b>23,046</b>	11,597
Employees end of service benefits	<b>2,604</b>	4,816	<b>13,595</b>	16,013	<b>244,679</b>	228,616
	<b>40,126</b>	29,987	<b>153,781</b>	178,273	<b>267,725</b>	240,213

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 September 2020, the Group provided guarantees in the ordinary course of the business amounting to KD 66,318 (31 December 2019: KD 156,000; 30 September 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.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

### 9 SEGMENT INFORMATION (continued)

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

	<i>Trading units KD</i>	<i>Manufacturing units KD</i>	<i>Total KD</i>	<i>Adjustments and eliminations KD</i>	<i>Consolidated KD</i>
<i>Nine months ended 30 September 2020</i>					
<b>Revenue</b>					
External customers	3,651,867	5,186,260	8,838,127	-	8,838,127
Inter-segment	1,332,568	-	1,332,568	(1,332,568)	-
Intra-segment	-	1,525,531	1,525,531	(1,525,531)	-
<b>Total revenue</b>	<b>4,984,435</b>	<b>6,711,791</b>	<b>11,696,226</b>	<b>(2,858,099)</b>	<b>8,838,127</b>
<b>Expenses</b>					
Cost of inventories recognised as an expense	(4,396,338)	(5,048,548)	(9,444,886)	2,858,099	(6,586,787)
Depreciation expense	(417,075)	(382,835)	(799,910)	-	(799,910)
Impairment of goodwill	(831,761)	-	(831,761)	-	(831,761)
<b>Segment results</b>	<b>(786,718)</b>	<b>(605,443)</b>	<b>(1,392,161)</b>	<b>-</b>	<b>(1,392,161)</b>
<i>Nine months ended 30 September 2019</i>					
<b>Segment revenue</b>					
External customers	4,986,229	8,812,954	13,799,183	-	13,799,183
Inter-segment	2,540,142	-	2,540,142	(2,540,142)	-
Intra-segment	-	1,951,616	1,951,616	(1,951,616)	-
<b>Total revenue</b>	<b>7,526,371</b>	<b>10,764,570</b>	<b>18,290,941</b>	<b>(4,491,758)</b>	<b>13,799,183</b>
<b>Expenses</b>					
Cost of inventories recognised as an expense	(6,079,428)	(8,151,482)	(14,230,910)	4,491,758	(9,739,152)
Depreciation expense	(452,175)	(484,553)	(936,728)	-	(936,728)
<b>Segment results</b>	<b>1,072,930</b>	<b>(426,662)</b>	<b>646,268</b>	<b>-</b>	<b>646,268</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

### 9 SEGMENT INFORMATION (continued)

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

	<i>Trading units KD</i>	<i>Manufacturing units KD</i>	<i>Total KD</i>	<i>Adjustments and eliminations KD</i>	<i>Consolidated KD</i>
<i>At 30 September 2020</i>					
Segment assets	<u>16,757,306</u>	<u>12,071,059</u>	<u>28,828,365</u>	<u>(12,052,216)</u>	<u>16,776,149</u>
Segment liabilities	<u>1,561,363</u>	<u>8,654,090</u>	<u>10,215,453</u>	<u>(4,302,200)</u>	<u>5,913,253</u>
<i>At 31 December 2019 (Audited)</i>					
Segment assets	<u>17,520,240</u>	<u>14,144,600</u>	<u>31,664,840</u>	<u>(11,638,771)</u>	<u>20,026,069</u>
Segment liabilities	<u>2,359,140</u>	<u>10,122,188</u>	<u>12,481,328</u>	<u>(4,720,516)</u>	<u>7,760,812</u>
<i>At 30 September 2019</i>					
Segment assets	<u>17,140,041</u>	<u>14,403,317</u>	<u>31,543,358</u>	<u>(10,205,213)</u>	<u>21,338,145</u>
Segment liabilities	<u>1,991,047</u>	<u>9,678,796</u>	<u>11,669,843</u>	<u>(4,423,502)</u>	<u>7,246,341</u>

### 10 IMPACT OF COVID-19 OUTBREAK

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 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.

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 September 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 September 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**10 IMPACT OF COVID-19 OUTBREAK (continued)**

**10.1 Risk management (continued)**

**10.1.1 Credit risk**

The Group is mainly exposed to credit risk on its trade receivables. As at 30 September 2020, the Group has considered the impact of COVID-19 on 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. There were no changes to the payment period given to customers during the period, however, the Group will continue to individually assess the situation as more reliable data becomes available and accordingly may change the payment period for certain customers in the subsequent reporting periods. Refer to Note 10.2 for the estimates and assumptions used by the Group to determine ECL on its trade receivables.

**10.1.2 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's liquidity management plans involve the following:

- ▶ 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 a significantly adverse 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.

**10.2 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:

*a) Property, plant and equipment, right-of-use assets and inventories (non-financial assets other than goodwill)*

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.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**10 IMPACT OF COVID-19 OUTBREAK (continued)**

**10.2 Use of estimates and assumptions (continued)**

*b) 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 September 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 September 2020 (30 September 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.

*c) 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.

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 Going concern**

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Group has ample resources to continue in 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.