

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC)  
AND SUBSIDIARIES  
STATE OF KUWAIT**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE PERIOD ENDED JUNE 30, 2020  
(UNAUDITED)  
WITH  
REPORT ON REVIEW**

COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC)  
AND SUBSIDIARIES  
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE PERIOD ENDED JUNE 30, 2020  
(UNAUDITED)  
WITH  
REPORT ON REVIEW

CONTENTS

Report on review of interim condensed consolidated financial information

	<u>Pages</u>
Interim condensed consolidated statement of financial position (unaudited)	2
Interim condensed consolidated statement of profit or loss (unaudited)	3
Interim condensed consolidated statement of profit or loss and other comprehensive income (unaudited)	4
Interim condensed consolidated statement of changes in equity (unaudited)	5
Interim condensed consolidated statement of cash flows (unaudited)	6
Notes to interim condensed consolidated financial information (unaudited)	7 – 17

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS OF JUNE 30, 2020**  
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	June 30, 2020	December 31, 2019 (Audited)	June 30, 2019
<b>Non-current assets:</b>				
Property, plant and equipment		22,380,154	25,130,083	28,878,268
Investment properties	3	7,457,000	7,501,000	7,518,998
Financial assets at fair value through other comprehensive income		557,703	557,703	714,265
Right of utilization and right of use assets		1,935,103	2,136,226	210,998
Contracts retentions		28,046,681	26,473,729	25,547,234
<b>Total non-current assets</b>		<b>60,376,641</b>	<b>61,798,741</b>	<b>62,869,763</b>
<b>Current assets:</b>				
Inventories		24,580,852	26,474,745	23,091,183
Contracts assets		35,427,421	36,796,413	48,053,078
Accounts receivable and other debit balances	4	118,086,872	150,011,283	149,130,871
Financial assets at fair value through profit or loss		2,607,113	3,086,124	3,050,611
Cash and cash equivalents	5	26,586,209	16,653,400	16,538,472
<b>Total current assets</b>		<b>207,288,467</b>	<b>233,021,965</b>	<b>239,864,215</b>
<b>Total assets</b>		<b>267,665,108</b>	<b>294,820,706</b>	<b>302,733,978</b>
<b><u>EQUITY AND LIABILITIES</u></b>				
<b>Equity:</b>				
Capital	6	16,340,577	16,340,577	16,340,577
Treasury shares	7	(244,480)	(244,480)	(244,480)
Treasury shares reserve		1,266,488	1,266,488	1,266,488
Statutory reserve		8,069,426	8,069,426	7,670,607
Voluntary reserve		1,817,340	1,817,340	1,817,340
Cumulative changes in fair value		(542,297)	(542,297)	(385,735)
Foreign currency translation reserve		(204,587)	(485,243)	(466,848)
Retained earnings		13,780,518	20,686,962	20,586,132
<b>Equity attributable to shareholders of the Parent Company</b>		<b>40,282,985</b>	<b>46,908,773</b>	<b>46,584,081</b>
Non - controlling interests		1,339,454	2,098,370	1,893,588
<b>Total equity</b>		<b>41,622,439</b>	<b>49,007,143</b>	<b>48,477,669</b>
<b>Non-current liabilities:</b>				
Provision for end of service indemnity		10,409,377	10,726,737	11,448,003
Accounts payable and other credit balances – non-current portion	8	23,002,687	21,551,469	18,124,386
Long term loans – non-current portion	9	9,016,050	9,029,959	6,851,143
Lease liabilities – non-current portion		1,201,385	1,324,828	-
Murabaha payables – non-current portion	10	412,621	590,597	826,844
<b>Total non-current liabilities</b>		<b>44,042,120</b>	<b>43,223,590</b>	<b>37,250,376</b>
<b>Current liabilities:</b>				
Contracts liabilities		11,807,544	9,758,056	2,405,572
Accounts payable and other credit balances – current portion	8	127,751,093	145,668,968	155,494,020
Long term loans – current portion	9	692,572	749,311	805,645
Lease liabilities – current portion		5,345,898	5,486,235	5,181,308
Murabaha payables – current portion	10	10,644,620	10,391,730	11,476,614
Short-term loans and credit facilities	11	18,168,621	20,003,808	27,576,587
Due to banks	12	7,590,201	10,531,865	14,066,187
<b>Total current liabilities</b>		<b>182,000,549</b>	<b>202,589,973</b>	<b>217,005,933</b>
<b>Total liabilities</b>		<b>226,042,669</b>	<b>245,813,563</b>	<b>254,256,309</b>
<b>Total equity and liabilities</b>		<b>267,665,108</b>	<b>294,820,706</b>	<b>302,733,978</b>

The accompanying notes from (1) to (20) form an integral part of the interim condensed consolidated financial information

Abdul Rahman M. Al-Marouf  
Chairman

Rae'ed Khalf Al Abdullah  
Vice Chairman

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE PERIOD ENDED JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Operating revenue		<b>35,658,155</b>	57,189,386	<b>89,000,073</b>	130,371,741
Operating Costs		<b>(36,679,099)</b>	(53,446,711)	<b>(90,467,091)</b>	(120,480,071)
Gross (loss) profit	13	<b>(1,020,944)</b>	3,742,675	<b>(1,467,018)</b>	9,891,670
General and administrative expenses		<b>(1,382,874)</b>	(2,113,953)	<b>(3,024,029)</b>	(4,492,325)
Provision for slow moving inventories		<b>(56,783)</b>	(76,266)	<b>(130,377)</b>	(138,452)
Depreciation and amortization		<b>(171,807)</b>	(172,091)	<b>(344,632)</b>	(349,364)
Operating (loss) income		<b>(2,632,408)</b>	1,380,365	<b>(4,966,056)</b>	4,911,529
Gain on sale of property, plant and equipment		<b>10,389</b>	9,966	<b>25,437</b>	121,157
Net investment (loss) income		<b>(8,936)</b>	125,893	<b>(479,011)</b>	464,615
Other income		<b>111,012</b>	617,755	<b>232,947</b>	884,288
Finance costs		<b>(694,727)</b>	(764,025)	<b>(1,144,582)</b>	(1,617,297)
Zakat and donations		<b>(6,215)</b>	(109,322)	<b>(14,095)</b>	(152,745)
(loss) profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences and National Labor Support Tax and contribution to Zakat		<b>(3,220,885)</b>	1,260,632	<b>(6,345,360)</b>	4,611,547
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(1,532)	-	(10,574)
National Labor Support Tax (NLST)		-	(31,933)	-	(75,836)
Contribution to Zakat		-	(2,673)	-	(8,221)
(Loss) profit for the period		<b>(3,220,885)</b>	1,224,494	<b>(6,345,360)</b>	4,516,916
Attributable to:					
Shareholders of the Parent Company		<b>(3,485,376)</b>	1,045,344	<b>(6,906,444)</b>	3,117,505
Non - controlling interests		<b>264,491</b>	179,150	<b>561,084</b>	1,399,411
		<b>(3,220,885)</b>	1,224,494	<b>(6,345,360)</b>	4,516,916
		<b>Fils</b>	Fils	<b>Fils</b>	Fils
Basic (loss) earnings per share attributable to Parent Company's shareholders	14	<b>(21.39)</b>	6.42	<b>(42.39)</b>	19.13

The accompanying notes from (1) to (20) form an integral part of the interim condensed consolidated financial information

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED JUNE 30, 2020**  
(All amounts are in Kuwaiti Dinars)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
(Loss) profit for the period	<u>(3,220,885)</u>	<u>1,224,494</u>	<u>(6,345,360)</u>	<u>4,516,916</u>
Other comprehensive income:				
<u>Items that may be reclassified subsequently</u>				
<u>to statement of profit or loss</u>				
Foreign currency translation adjustments	<u>(98,113)</u>	<u>(77,777)</u>	<u>280,656</u>	<u>(41,161)</u>
Other (comprehensive loss) comprehensive income for the period	<u>(98,113)</u>	<u>(77,777)</u>	<u>280,656</u>	<u>(41,161)</u>
Total (comprehensive loss) comprehensive income for the period	<u>(3,318,998)</u>	<u>1,146,717</u>	<u>(6,064,704)</u>	<u>4,475,755</u>
Attributable to:				
Shareholders of the Parent Company	<u>(3,583,489)</u>	<u>967,567</u>	<u>(6,625,788)</u>	<u>3,076,344</u>
Non-controlling interests	<u>264,491</u>	<u>179,150</u>	<u>561,084</u>	<u>1,399,411</u>
	<u>(3,318,998)</u>	<u>1,146,717</u>	<u>(6,064,704)</u>	<u>4,475,755</u>

The accompanying notes from (1) to (20) form an integral part of the interim condensed consolidated financial information

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE PERIOD ENDED JUNE 30, 2020**  
(All amounts are in Kuwaiti Dinars)

	Attributable to shareholders of the Parent Company										
	Capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at January 1, 2020	16,340,577	(244,480)	1,266,488	8,069,426	1,817,340	(542,297)	(485,243)	20,686,962	46,908,773	2,098,370	49,007,143
Total comprehensive income (comprehensive loss) for the period	-	-	-	-	-	-	280,656	(6,906,444)	(6,625,788)	561,084	(6,064,704)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,320,000)	(1,320,000)
<b>Balance at June 30, 2020</b>	<b>16,340,577</b>	<b>(244,480)</b>	<b>1,266,488</b>	<b>8,069,426</b>	<b>1,817,340</b>	<b>(542,297)</b>	<b>(204,587)</b>	<b>13,780,518</b>	<b>40,282,985</b>	<b>1,339,454</b>	<b>41,622,439</b>
Balance at January 1, 2019	16,340,577	(244,480)	1,266,488	7,670,607	1,817,340	(385,735)	(425,687)	20,727,311	46,766,421	1,378,388	48,144,809
Total (comprehensive loss) comprehensive income for the period	-	-	-	-	-	-	(41,161)	3,117,505	3,076,344	1,399,411	4,475,755
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(990,000)	(990,000)
Net movement on non-controlling interests	-	-	-	-	-	-	-	-	-	46,926	46,926
Acquisition of a subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	58,863	58,863
Dividends (20 fils per share) - (Note 15)	-	-	-	-	-	-	-	(3,258,684)	(3,258,684)	-	(3,258,684)
Balance at June 30, 2019	16,340,577	(244,480)	1,266,488	7,670,607	1,817,340	(385,735)	(466,848)	20,586,132	46,584,081	1,893,588	48,477,669

The accompanying notes from (1) to (20) form an integral part of the interim condensed consolidated financial information

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE PERIOD ENDED JUNE 30, 2020**  
(All amounts are in Kuwaiti Dinars)

	Six months ended June 30,	
	2020	2019
<b>Cash flows from operating activities:</b>		
(Loss) profit for the period before contribution to KAFS, NLST and contribution to Zakat	(6,345,360)	4,611,547
Adjustments for:		
Depreciation and amortization	4,342,164	4,778,107
Provision for slow moving inventories	130,377	138,452
Gain on sale of property, plant and equipment	(25,437)	(121,157)
Net investment loss (income)	479,011	(464,615)
Interest income	(4,574)	(2,355)
Finance cost	1,144,582	1,617,297
Provision for end of service indemnity	677,704	941,055
	<u>398,467</u>	<u>11,498,331</u>
Changes in operating assets and liabilities:		
Inventories	1,763,516	2,359,967
Net contracts assets / liabilities	3,418,480	4,977,773
Accounts receivable and other debit balances and contracts retentions	30,356,033	(19,962,747)
Accounts payable and other credit balances	(16,185,811)	14,475,368
Cash flows generated from operations	<u>19,750,685</u>	<u>13,348,692</u>
Payment of National Labour Support Tax	-	(169,574)
Payment of Zakat	-	(28,584)
Payment of boards of directors' remuneration	-	(40,000)
Paid for end of service indemnity	(995,064)	(1,422,537)
Net cash flows generated from operating activities	<u>18,755,621</u>	<u>11,687,997</u>
<b>Cash flows from investing activities:</b>		
Paid for purchase of property, plant and equipment	(1,609,683)	(3,928,473)
Proceeds from sale of property, plant and equipment	308,533	432,821
Paid for purchase of investment property	(20,525)	-
Interest income received	-	2,355
Net cash flows used in investing activities	<u>(1,321,675)</u>	<u>(3,493,297)</u>
<b>Cash flows from financing activities:</b>		
Long term loans	(70,648)	(413,309)
Paid for lease liabilities	(269,003)	(104,906)
Murabaha payables	74,914	(1,581,771)
Short term loans and credit facilities	(1,835,187)	(4,316,362)
Due to banks	(2,941,664)	3,434,466
Finance costs paid	(1,139,359)	(1,617,297)
Dividends paid	(190)	(2,015,808)
Dividends paid to non-controlling interests	(1,320,000)	(990,000)
Net cash flows used in financing activities	<u>(7,516,996)</u>	<u>(7,604,987)</u>
Net increase in cash and cash equivalents	<u>9,932,809</u>	<u>589,713</u>
Cash and cash equivalents at beginning of the period	<u>16,653,400</u>	<u>15,948,759</u>
Cash and cash equivalents at end of the period (Note 5)	<u>26,586,209</u>	<u>16,538,472</u>

The accompanying notes from (1) to (20) form an integral part of the interim condensed consolidated financial information

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

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1. Incorporation and objectives of the Parent Company

The Combined Group Contracting Company K.S.C. (Public) "Parent Company" (previously known as Combined Group Company for trading and Contracting-Suleiman Khaled Abdullatif Al-Hamad- W.L.L), it is a Kuwaiti shareholding company (Public) registered in Kuwait, and was incorporated based on Article of Association Ref. No. 215/B/Vol.4 dated November 15, 1965 and its subsequent amendments, the latest of which was notarized in the commercial registry under No. 7/14 dated July 22, 2020.

The parent company is listed in Kuwait Stock Exchange Market since January 23, 2006.

The main objectives for which the Parent Company was established are as follows:

1. Carry out general contracting, mechanical works, healthy engineering works, constructions works of building, ways, bridges and managing, controlling them and their related works.
2. Manufacturing, producing and importing of various building materials (after the approval of Public Authority for Industry).
3. Trading, packing and packaging cement, sand and related materials.
4. Ready-mix works.
5. Manufacturing and executing the dye works and decorations that are necessary to execute the civil works (after the approval of Public Authority for Industry).
6. Asphalt production.
7. Purchasing and importing the equipment and tools that are necessary to execute the Parent Company objectives.
8. Owning the transportation intermediaries that are necessary for the Parent Company's activities.
9. Representation of the companies and enter tenders that have similar purposes.
10. Investing the excess funds available with the Parent Company in portfolios and funds managed by specialized companies.

The Parent Company may perform directly all of the above activities inside and outside the State of Kuwait, or through agents on its behalf. The Parent company may have an interest or participation in entities of similar activities, which could assist the Parent company in achieving its objectives inside and outside the State of Kuwait, or may also acquire, participate or append such entities.

The Parent Company is registered in the commercial register under Ref. No. 13595 dated September 19, 2005.

The registered Parent Company's address is P.O. Box 4819 Safat, 13049 State of Kuwait and located in Ardiya area, block No. 2, building No. 284.

The interim condensed consolidated financial information was authorized for issue by the Board of Directors of the Parent Company on August 12, 2020.

2. Basis of presentation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2019.

The interim condensed consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the accompanying interim condensed consolidated financial information. Operating results for the period ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending on December 31, 2020. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2019.



**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

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**Application of new and revised International Financial Reporting Standards (IFRSs)**

The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective. Several other 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.

**Revised IFRSs that are effective for the current year:**

The following revised IFRSs, which became effective for annual periods beginning on or after January 1, 2020, have been adopted in the interim condensed consolidated financial information. Their adoption has not had any material impact on the disclosures or on the amounts reported in the interim condensed consolidated financial information.

**Definition of a Business - Amendments to IFRS 3**

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired 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 outputs
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. This amendment is not expected to have a material impact on the Group's interim condensed consolidated financial information.

**Amendments to IFRS 16 "leases" – COVID-19-Related Rent Concessions**

COVID-19-Related Rent Concessions, issued in May 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not authorized for issue at May 28, 2020.

A lessee shall apply COVID-19-Related Rent Concessions retrospectively, recognizing the cumulative effect of initially applying that amendment as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. This amendment is not expected to have a material impact on the Group's interim condensed consolidated financial information.

Other than the above, several other 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.

**Critical judgments and estimates for impact of COVID-19**

The World Health Organization declared on March 11, 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. 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 the available guidance of IFRS, and incorporated the outcome in these interim condensed consolidated financial statements and explained the changes below related to the critical judgement and estimates (Note 20).

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

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**Critical judgements and estimates:**

The Group has conducted critical judgements and estimates due to current and futuristic factors. The preparation of interim condensed consolidated financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial information, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2019, with the exception of the impact of the COVID-19 outbreak on the Group which is detailed below:

Expected credit loss on financial assets measured at amortized cost

The Group has updated the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at June 30, 2020. Revised ECLs were estimated based on a range of forecasted economic conditions at the reporting date and considering the fact that situation is fast evolving, the Group has also considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. These are reviewed and monitored for appropriateness on a quarterly basis.

Further information on the Group's policy on expected credit losses is disclosed in Note (2 - d) to the consolidated financial statements as at and for the year ended December 31, 2019.

Fair value measurement of financial instruments

As at June 30, 2020, The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID-19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current circumstances.

Further information on the Group's policy in relation to fair value measurements is disclosed in Notes (2 - d) to the consolidated financial statements as at and for the year ended December 31, 2019.

Investment properties, property and equipment and investment in associate ("non-financial assets")

As at the reporting date, the Group has not identified any significant impact on the carrying values of its non-financial assets due to the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at December 31, 2019. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these nonfinancial assets appropriately in the interim condensed consolidated financial information.

Lease modification

The Group, as a lessor, has assessed that the changes in lease payments that result from clauses in the original contract or in applicable law or regulation are part of the original terms and conditions of the lease, even if the effect of those clauses (arising from an event such as the COVID-19 pandemic) was not previously contemplated. In such a case there is no lease modification for the purposes of IFRS 16.

Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

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 December 31, 2019. As a result, this condensed consolidated interim financial information has been appropriately prepared on a going concern basis.

3. Investment properties

Investment properties with carrying value amounting to KD 7,457,000 (December 31, 2019 - KD 7,501,000, June 30, 2019 - KD 7,518,998) are registered in the name of a local bank against a finance lease obligation with purchase option.

4. Accounts receivable and other debit balances

	June 30, 2020	December 31, 2019 (Audited)	June 30, 2019
Ministries and Government agencies	30,392,558	48,655,505	41,552,942
Companies and institutions	1,089,077	3,507,369	6,214,460
Trade receivables	15,477,387	13,244,116	12,443,204
Other receivables	723,726	694,803	906,602
Total receivables	47,682,748	66,101,793	61,117,208
Allowance for expected credit losses	(3,826,685)	(3,826,685)	(3,482,717)
Net receivables	43,856,063	62,275,108	57,634,491
Contracts retentions	24,366,254	36,639,752	35,842,496
Allowance for expected credit losses	(1,862,077)	(1,862,077)	(2,928,551)
Net contract retentions	22,504,177	34,777,675	32,913,945
Advance payments for contracts	40,923,045	42,526,067	43,239,993
Prepaid expenses	3,279,902	3,868,300	4,538,824
Staff receivables	1,400,474	1,248,024	1,329,292
Refundable deposits	4,309,850	4,716,586	4,859,703
Advance payment for incorporation of companies	548,391	585,117	558,138
Due from related parties (Note 16)	2,372,186	1,121,622	4,056,485
Allowance for expected credit losses	(1,107,216)	(1,107,216)	-
	<u>118,086,872</u>	<u>150,011,283</u>	<u>149,130,871</u>

5. Cash and cash equivalents

	June 30, 2020	December 31, 2019 (Audited)	June 30, 2019
Cash on hand and at banks	26,241,260	15,868,143	16,186,000
Short term deposits	344,949	785,257	352,472
	<u>26,586,209</u>	<u>16,653,400</u>	<u>16,538,472</u>

The effective interest rate on short term bank deposits is ranging from 1.25% to 2.75% (December 31, 2019 – 1.25% to 2.75%, June 30, 2019 – 1.25% to 2.75%) per annum; these deposits have an average maturity of 90 days from its deposit date.

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

6. Capital

The authorized, issued and fully paid-up capital consists of KD 16,340,577 (December 31, 2019 – KD 16,340,577, June 30, 2019 – KD 16,340,577) distributed over 163,405,773 shares (December 31, 2019 – 163,405,773 shares, June 30, 2019 – 163,405,773 shares) of 100 fils each.

7. Treasury shares

	<b>June 30, 2020</b>	December 31, 2019 (Audited)	June 30, 2019
Number of treasury shares (share)	471,589	471,589	471,589
Percentage of issued shares (%)	0.289%	0.289%	0.289%
Market value (KD)	86,772	123,084	88,658
Cost (KD)	244,480	244,480	244,480

Based on Capital Markets Authority resolution, the Parent Company's management had allotted an amount equal to treasury shares balance from the available reserves as of the interim condensed consolidated financial information date. Such amount will not be available for distribution during treasury shares holding period.

8. Accounts payable and other credit balances

	<b>June 30, 2020</b>	December 31, 2019 (Audited)	June 30, 2019
Contract advances	27,747,855	31,342,142	40,665,522
Suppliers	24,661,747	25,467,778	20,665,746
Accrued expenses	50,122,793	49,222,583	50,646,437
Contractors	15,502,997	29,233,348	29,914,474
Retentions payable	29,318,430	27,528,950	26,339,084
Provision for penalties	1,971,446	1,971,446	1,971,446
Other payables	137,285	866,561	334,813
National Labor Support Tax payable	90,187	90,187	75,836
Payable to Kuwait Foundation for Advancement of Sciences	46,782	46,782	53,339
Zakat share payable	-	-	8,221
Board of Directors' remuneration payable	703,387	703,387	436,555
Due to related parties (Note 16)	428,688	714,406	948,741
Dividends payable to shareholders	22,183	22,373	1,351,420
Deposits from others	-	10,494	206,772
	<b>150,753,780</b>	<b>167,220,437</b>	<b>173,618,406</b>

Presented as follows:

	<b>June 30, 2020</b>	December 31, 2019 (Audited)	June 30, 2019
Non - Current portion	23,002,687	21,551,469	18,124,386
Current portion	127,751,093	145,668,968	155,494,020
	<b>150,753,780</b>	<b>167,220,437</b>	<b>173,618,406</b>

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

9. Long-term loans

Long-term loans are summarized as follows:

	<u>Current portion</u>	<u>Non-current portion</u>	<u>Total</u>
- Loan from local bank guaranteed by a formal mortgage on Ardiya land and its construction, and is repayable in monthly installments for the period of 15 years until March 27, 2020 after a grace period of one year, and carries an interest rate of 3.5% per annum over the Central Bank of Kuwait discount rate.	250,000	250,000	<b>500,000</b>
- Loan from local bank for financing the purchase of machinery, equipment and vehicles and developing the production of the Asphalt and ready mix factories guaranteed by a formal mortgage of the Parent Company factories at Salibya industry area; and repayable in Semi Annual installments for a period of 5 years until November 15, 2021, carries an interest rate of 3.5%.	-	2,500,000	<b>2,500,000</b>
- Loan from a local bank to finance working capital, payable on March 31, 2022. The loan carries an annual interest rate of 2% above the discount rate set by the Central Bank of Kuwait.	-	5,000,000	<b>5,000,000</b>
- Loan from a local bank to finance the purchase of property and equipment and to be paid in semi-annual installments for a period of 5 years until September 15, 2023. The loan carries a fixed interest rate of 3.5%.	416,000	1,252,000	<b>1,668,000</b>
- Loans from Gulf banks for finance the purchase of machines and equipment and guaranteed by mortgage of the machineries and equipment of foreign branches and repayable in monthly and quarterly installments for a period of 3 years ended during 2021, carries an interest rate ranging annually between 2.25% to 3.5%.	26,572	14,050	<b>40,622</b>
<b>Balance as of June 30, 2020</b>	<b><u>692,572</u></b>	<b><u>9,016,050</u></b>	<b><u>9,708,622</u></b>
Balance as of December 31, 2019 (Audited)	<u>749,311</u>	<u>9,029,959</u>	<u>9,779,270</u>
Balance as of June 30, 2019	<u>805,645</u>	<u>6,851,143</u>	<u>7,656,788</u>

The carrying amounts of the Group's term loans are denominated in the following currencies:

	<u>June 30, 2020</u>	<u>December 31, 2019 (Audited)</u>	<u>June 30, 2019</u>
Kuwaiti Dinar	<b>9,668,000</b>	9,717,904	7,611,919
UAE Dirham	<b>40,622</b>	61,366	44,869
	<b><u>9,708,622</u></b>	<u>9,779,270</u>	<u>7,656,788</u>

10. Murabaha payable

	<u>June 30, 2020</u>	<u>December 31, 2019 (Audited)</u>	<u>June 30, 2019</u>
Gross amount of Murabaha payables	<b>11,206,235</b>	11,105,271	12,391,278
Less: Unamortized future finance charge	<b>(148,994)</b>	(122,944)	(87,820)
Present value of Murabaha payables	<b><u>11,057,241</u></b>	<u>10,982,327</u>	<u>12,303,458</u>

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

Presented as follows:

	June 30, 2020	December 31, 2019 (Audited)	June 30, 2019
Non- current portion	412,621	590,597	826,844
Current portion	10,644,620	10,391,730	11,476,614
Present value of Murabaha payable	<u>11,057,241</u>	<u>10,982,327</u>	<u>12,303,458</u>

The Murabaha payables related to subsidiaries, are secured by pledge of building within property, plant and equipment and partnership guarantee from the Parent Company.

**11. Short-term loans and credit facilities**

Short term loans and credit facilities represent advance payments by the banks against construction contracts, which will be settled by deducting 10% to 20% from the amounts to be received for the completed work. These loans carry annual interest rate ranging from 3% to 4.75% (December 31, 2019 - from 4.25% to 6%, June 30, 2019 - from 4.25% to 6%) over the Central Bank of Kuwait discount rate. Short term loans and credit facilities are secured by money transfer order for the revenue from projects to the banks.

**12. Due to banks**

Due to banks represents in overdrafts facility and promissory notes.

Overdraft facility carry annual interest rate ranging from 1% to 2.5% (December 31, 2019 - from 1% to 2.5%, June 30, 2019 – 1.5% to 2.5%) over the Central Bank of Kuwait discount rate and is payable on demand.

Promissory notes carry annual interest rate at 2% (December 31, 2019 - 2%, June 30, 2019 – 2%), over the Central Bank of Kuwait discount rate and is payable within 180 days.

Due to banks relating to Parent Company and subsidiaries are secured by money transfer order for the revenue from projects and personal guarantees by some of the subsidiaries' partners to the banks.

**13. Gross (loss) profit**

	<b>Three months ended June 30, 2020</b>					Three months ended June 30, 2019
	Projects	Vehicles, machinery & garage	Asphalt factories and central mixers	Eliminations of inter- divisional transactions	Total	Total
Operating revenue	36,829,445	430,219	560,599	(2,162,108)	<b>35,658,155</b>	57,189,386
Operating Costs	(38,115,831)	(583,682)	(141,694)	2,162,108	<b>(36,679,099)</b>	(53,446,711)
Gross (loss) profit	<u><b>(1,286,386)</b></u>	<u><b>(153,463)</b></u>	<u><b>418,905</b></u>	<u>-</u>	<u><b>(1,020,944)</b></u>	<u>3,742,675</u>
	<b>Six months ended June 30, 2020</b>					Six months ended June 30, 2019
	Projects	Vehicles, machinery & garage	Asphalt factories and central mixers	Eliminations of inter- divisional transactions	Total	Total
Operating revenue	92,597,238	884,770	1,765,775	(6,247,710)	<b>89,000,073</b>	130,371,741
Operating Costs	(94,491,070)	(1,279,155)	(944,576)	6,247,710	<b>(90,467,091)</b>	(120,480,071)
Gross (loss) profit	<u><b>(1,893,832)</b></u>	<u><b>(394,385)</b></u>	<u><b>821,199</b></u>	<u>-</u>	<u><b>(1,467,018)</b></u>	<u>9,891,670</u>

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

14. Basic (loss) earnings per share attributable to Parent Company's shareholders

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on net profit for the period attributable to equity holders and the weighted average number of shares outstanding during the period is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
(Loss) profit for the period attributable to shareholders of the Parent Company	<b>(3,485,376)</b>	1,045,344	<b>(6,906,444)</b>	3,117,505
<u>Weighted average number of outstanding shares:</u>	<b>Shares</b>	Shares	<b>Shares</b>	Shares
Number of issued shares at beginning of the period	<b>163,405,773</b>	163,405,773	<b>163,405,773</b>	163,405,773
Less: weighted average number of treasury shares	<b>(471,589)</b>	(471,589)	<b>(471,589)</b>	(471,589)
	<b>162,934,184</b>	162,934,184	<b>162,934,184</b>	162,934,184
	<b>Fils</b>	Fils	<b>Fils</b>	Fils
Basic (loss) earnings per share attributable to Parent Company's shareholders	<b>(21.39)</b>	6.42	<b>(42.39)</b>	19.13

15. General Assembly

The Shareholders' General Assembly of the Parent Company held on June 29, 2020, approved to distribute 5 bonus shares for every 100 shares amounting to KD 817,029 and remuneration to Board of Directors of KD 276,832 and not to distribute cash dividends for the year ended December 31, 2019, which was notarized in the commercial registry of the parent company dated July 22, 2020.

The Shareholders' General Assembly of the Parent Company held on May 5, 2019 approved the distribution of cash dividends of 20% of nominal value which represents 20 fils per share amounting to KD 3,258,684 and remuneration for Board of Directors of KD 436,555 for the year ended December 31, 2018.

16. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, board of directors, key management personnel, subsidiaries under common control and other related parties. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in Interim condensed consolidated statement of financial position:

	Joint ventures	Other related parties	June 30, 2020	December 31, 2019 (Audited)	June 30, 2019
Accounts receivable and other debit balances (Note 4)	<b>1,564,572</b>	<b>807,614</b>	<b>2,372,186</b>	1,121,622	4,056,485
Accounts payable and other credit balances (Note 8)	<b>153,620</b>	<b>275,068</b>	<b>428,688</b>	714,406	948,741

Transactions included in interim condensed consolidated statement of profit or loss:

Key management compensation:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Salaries and other short term benefits	<b>230,434</b>	273,409	<b>452,348</b>	536,073
Terminal benefits	<b>9,704</b>	10,623	<b>19,387</b>	21,255
	<b>240,138</b>	284,032	<b>471,735</b>	557,328

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

**17. Segment information**

The Group is divided into functional divisions to manage its various lines of business. The Group operates mainly in the State of Kuwait and abroad. For the purposes of segment reporting, the Group's management has classified the Groups' activities among the following reportable geographic segments based on geographic location of customers and segment assets:

- State of Kuwait.
- GCC.

	<b>Six months ended June 30, 2020</b>			<b>Total</b>
	State of Kuwait	GCC	Non-controlling interests	
Operating revenue	<b>39,838,658</b>	<b>49,161,415</b>	-	<b>89,000,073</b>
Operating costs	<b>(44,039,498)</b>	<b>(46,427,593)</b>	-	<b>(90,467,091)</b>
Gross (loss) profit	<b>(4,200,840)</b>	<b>2,733,822</b>	-	<b>(1,467,018)</b>
Segment results	<b>(8,177,374)</b>	<b>1,270,930</b>	<b>561,084</b>	<b>(6,345,360)</b>
Total segment assets	<b>197,801,712</b>	<b>69,863,396</b>	-	<b>267,665,108</b>
Total segment liabilities	<b>164,639,857</b>	<b>61,402,812</b>	-	<b>226,042,669</b>

	<b>Six months ended June 30, 2019</b>			<b>Total</b>
	State of Kuwait	GCC	Non-controlling interests	
Operating revenue	99,973,851	30,397,890	-	130,371,741
Operating costs	(93,059,373)	(27,420,698)	-	(120,480,071)
Gross profit	6,914,478	2,977,192	-	9,891,670
Segment results	2,178,952	938,553	1,399,411	4,516,916
Total segment assets	239,859,939	62,874,039	-	302,733,978
Total segment liabilities	201,924,314	52,331,995	-	254,256,309

**18. Contingent liabilities and claims**

- a. At the date of interim condensed consolidated statement of financial position, the Group was contingent liabilities in respect of the following:

	<b>June 30, 2020</b>	<b>December 31, 2019 (Audited)</b>	<b>June 30, 2019</b>
Letters of credit	<b>14,733,739</b>	15,579,181	16,146,266
Performance guarantees	<b>133,971,178</b>	147,110,130	155,351,626
Guarantees for advance payments	<b>50,449,607</b>	49,532,593	72,230,736
Guarantees for bids	<b>20,723,967</b>	11,004,304	12,684,544
Guarantees for retentions	<b>54,596,381</b>	35,313,005	31,560,903
Other guarantees	<b>11,429,766</b>	11,706,716	12,724,032
	<b>285,904,638</b>	270,245,929	300,698,107

- b. There are certain lawsuits raised by / against the Group, the results of which can not be assessed until being finally cleared by the court. In the opinion of the Group's management, there will be no material adverse impact on the Group's interim condensed consolidated financial information, and hence, no additional provisions were recorded in the Group's records due to the sufficiency of the currently recorded provisions for those claims as of the date of interim condensed consolidated statement of financial position date.



**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

19. Fair value measurement

The Group measures financial assets such as financial assets at fair value through profit or loss and available for sale financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table presents the Group's assets that are measured at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income	-	-	557,703	557,703
Financial assets at fair value through profit or loss	<u>2,545,134</u>	<u>61,979</u>	<u>-</u>	<u>2,607,113</u>
	<u>2,545,134</u>	<u>61,979</u>	<u>557,703</u>	<u>3,164,816</u>

The following table presents the Group's assets that are measured at fair value as of December 31, 2019 (Audited):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income	-	-	557,703	557,703
Financial assets at fair value through profit or loss	<u>3,024,308</u>	<u>61,816</u>	<u>-</u>	<u>3,086,124</u>
	<u>3,024,308</u>	<u>61,816</u>	<u>557,703</u>	<u>3,643,827</u>

The following table presents the Group's assets that are measured at fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income	-	-	714,265	714,265
Financial assets at fair value through profit or loss	<u>2,988,961</u>	<u>61,650</u>	<u>-</u>	<u>3,050,611</u>
	<u>2,988,961</u>	<u>61,650</u>	<u>714,265</u>	<u>3,764,876</u>

During the period, there were no transfers between Level 1, Level 2 and Level 3.

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**JUNE 30, 2020**

(All amounts are in Kuwaiti Dinars)

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20. Impact of Covid-19

The outbreak of the Novel Coronavirus (COVID-19) during 2020 resulted of several procedures by various governments to contain the virus, which had negative impact on economic activity and the Group's results during the period ended June 30, 2020, below are summary of such impacts:

- **Impairment of non-financial assets**

Investment properties

The Group has assessed the economic conditions in the region consequent to the outbreak of the Coronavirus pandemic and accordingly performed valuation of its investment properties. Accordingly, the Group has concluded there is no impact due to Covid-19.

- **Expected Credit Losses ("ECL") and impairment of financial assets**

The Group assessed the exposures in potentially affected sectors for any indicators of impairment. Accordingly, the Group has concluded there is no impact due to Covid-19.

- **Fair value of quoted and unquoted financial assets**

Local and foreign financial markets have exhibited a significant downturn and volatility, resulting in the decline in fair value of quoted and unquoted equity investments held by the Group classified as "FVTPL" by the amount of KD 479,011. Accordingly, the Group has incurred material losses arising from changes in fair values during the period ended June 30, 2020.

As a result of COVID-19 pandemic and the ongoing uncertainty related to the economic negative impact until the date of preparation of the interim condensed consolidated financial information, the actual impact on the Group's activities during the remaining period of 2020 and thereafter cannot be anticipated at this stage. Accordingly, the Group will assess any future impacts on its operation results and financial performance.