

Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait

Interim Condensed Consolidated Financial Information (Unaudited)
And review report for the nine month period ended 30 September 2020

Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait

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**Review Report of Interim Condensed Consolidated Financial Information to the Board of Directors
Kuwait Portland Cement Co. K.P.S.C.
State of Kuwait**

Introduction

We have reviewed the accompanying interim condensed consolidated financial position of Kuwait Portland Cement Co. K.P.S.C. ("The Parent Company") and its subsidiary (together referred to as "the Group") as at 30 September 2020, and the related interim condensed consolidated statements of income, income and other comprehensive income, changes in equity and cash flows for the nine month period then ended. The preparation and presentation of this interim condensed consolidated financial information is the responsibility of the Parent Company's management in accordance with IAS 34: (Interim Financial Reporting). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: (Interim Financial Reporting).

Report on Other Legal and Regulatory Requirements

Furthermore, the interim condensed consolidated financial information is in agreement with the books of account. We further report that, to the best of our knowledge and belief, no violations of Companies' Law No. 1 of 2016, and its executive regulations, as amended or of the Parent Company's memorandum of incorporation and articles of association, as amended, or of Law No. 7 of 2010 concerning the Establishment of Capital Markets Authority and the Organization of Securities Activity and its Executive Regulations and related instructions, have occurred during the nine month period ended 30 September 2020, that might have had a material effect on the business of the Group or on its interim condensed consolidated financial position.



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

Kuwait: 12 November 2020

**Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait**

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

		(Audited)	
	30 September 2020	31 December 2019	30 September 2019
	Notes	KD	KD
Assets			
Non-current assets			
Financial assets at fair value through other comprehensive income		20,710,272	21,089,800
Property, plant and equipment		4,426,789	5,638,495
		<u>25,137,061</u>	<u>26,728,295</u>
Current assets			
Financial assets at fair value through statement of income		21,495,675	20,696,428
Trade and other receivables	5	23,054,610	25,357,900
Inventories	6	5,641,907	5,844,458
Cash and cash equivalents	7	5,922,948	6,348,130
		<u>56,115,140</u>	<u>58,246,916</u>
Total assets		<u>81,252,201</u>	<u>84,975,211</u>
Equity and liabilities			
Equity			
Share capital		10,022,196	10,022,196
Statutory reserve		10,022,196	10,022,196
Voluntary reserve		10,022,196	10,022,196
General reserve		2,500,000	2,500,000
Treasury shares reserve		544,943	544,943
Change in fair value reserve		11,941,068	12,325,911
Retained earnings		21,545,209	24,246,554
Total equity		<u>66,597,808</u>	<u>69,683,996</u>
Liabilities			
Non-current liabilities			
Other provisions		1,677,192	1,600,001
Provision for employees' end of service indemnity		5,036,541	4,583,201
		<u>6,713,733</u>	<u>6,183,202</u>
Current liabilities			
Trade and other payables	8	7,026,286	8,438,500
Dividends payable		914,374	669,513
		<u>7,940,660</u>	<u>9,108,013</u>
Total liabilities		<u>14,654,393</u>	<u>15,291,215</u>
Total equity and liabilities		<u>81,252,201</u>	<u>84,975,211</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information.

Ali A. Al-Omar
Chairman



Khalifa Hamoud Al Ghanim
CEO and Board Member

**Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
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Interim Condensed Consolidated Statement of Income (Unaudited)
For the nine month period ended 30 September 2020

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Note	KD	KD	KD	KD
Income				
Sales	11,261,580	18,664,429	35,065,921	61,818,163
Cost of sales	(10,630,481)	(16,769,118)	(32,432,356)	(56,887,216)
Gross Profit	631,099	1,895,311	2,633,565	4,930,947
Unrealised profits / (losses) on financial assets at fair value through statement of income	911,811	(1,278,038)	(3,614,298)	815,625
Provision expectation credit lossess	(500,000)	-	(500,000)	-
Profit on sale of financial assets at fair value through statement of income	-	64,325	435	250,697
Interest income	566	(332)	1,447	1,364
Cash dividends	154,831	3,368	1,762,049	1,668,488
Foreign exchange gain/(loss)	2,320	(1,795)	906	502
Other income	571,550	363,292	1,078,881	1,168,824
Total revenues	1,772,177	1,046,131	1,362,985	8,836,447
Expenses and other charges				
General and administrative expenses	(255,269)	(29,826)	(879,344)	(1,423,975)
Distribution expenses	(105,185)	(191,277)	(332,519)	(628,205)
Other provisions	-	(122,827)	(60,000)	(162,827)
Profit for the period before KFAS, NLST, Zakat and Directors' remuneration	1,411,723	702,201	91,122	6,621,440
Contribution to Kuwait Foundation for the Advancement of Sciences National Labour Support	(911)	(7,022)	(911)	(66,214)
Tax	-	(17,555)	-	(131,387)
ZAKAT	-	(7,022)	-	(52,555)
Board of directors' remuneration	(65,000)	(65,000)	(195,000)	(195,000)
Profit/ (loss) for the period	1,345,812	605,602	(104,789)	6,176,284
Basic earnings per share (fils)	9 13.43	6.04	(1.05)	61.62

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information.



**Kuwait Portland Cement Co. K.P.S.C.
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Interim Condensed Consolidated Statement of Income and Other Comprehensive Income (Unaudited)
For the nine month period ended 30 September 2020

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	KD	KD	KD	KD
Profit/ (loss) for the period	<u>1,345,812</u>	<u>605,602</u>	<u>(104,789)</u>	<u>6,176,284</u>
Other comprehensive items <i>Items that may not be reclassified subsequently in the interim condensed consolidated statement of income:</i>				
Change in fair value of financial assets at fair value through other comprehensive income	<u>3,898,554</u>	<u>538,290</u>	<u>(3,926,275)</u>	<u>5,044,837</u>
Other comprehensive income / (loss) for the period	<u>3,898,554</u>	<u>538,290</u>	<u>(3,926,275)</u>	<u>5,044,837</u>
Total other comprehensive income/ (loss) for the period	<u>5,244,366</u>	<u>1,143,892</u>	<u>(4,031,064)</u>	<u>11,221,121</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information.



**Kuwait Portland Cement Co. K.P.S.C.
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Interim condensed consolidated statement of changes in equity (unaudited)

For the nine month period ended 30 September 2020

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Treasury shares reserve KD	Change of fair value reserve KD	Retained earnings KD	Total equity KD
Balance as at 31 December 2018	10,022,196	10,022,196	10,022,196	2,500,000	544,943	7,281,074	28,092,466	68,485,071
Total other comprehensive income for the period	-	-	-	-	-	5,044,837	6,176,284	11,221,121
Cash dividends (Note 14)	-	-	-	-	-	-	(10,022,196)	(10,022,196)
Balance as at 30 September 2019	<u>10,022,196</u>	<u>10,022,196</u>	<u>10,022,196</u>	<u>2,500,000</u>	<u>544,943</u>	<u>12,325,911</u>	<u>24,246,554</u>	<u>69,683,996</u>
Balance as at 31 December 2019	10,022,196	10,022,196	10,022,196	2,500,000	544,943	15,867,343	25,658,849	74,637,723
Total other comprehensive loss for the period	-	-	-	-	-	(3,926,275)	(104,789)	(4,031,064)
Cash dividends (Note 14)	-	-	-	-	-	-	(4,008,851)	(4,008,851)
Balance as at 30 September 2020	<u>10,022,196</u>	<u>10,022,196</u>	<u>10,022,196</u>	<u>2,500,000</u>	<u>544,943</u>	<u>11,941,068</u>	<u>21,545,209</u>	<u>66,597,808</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information.

**Kuwait Portland Cement Co. K.P.S.C.
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Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the nine month period ended 30 September 2020

	Nine months ended	
	30 September	
	2020	2019
	KD	KD
Operating activities		
Net (loss)/ profit for the period	(104,789)	6,176,284
<i>Adjustments to:</i>		
Depreciation	648,854	3,503,417
Unrealized loss / (profit) on assets at fair value through statement of income	3,614,298	(815,625)
Profits on sale of assets at fair value through statement of income	(435)	(250,697)
Provision expectation credit loss	(500,000)	-
Dividend income	(1,762,049)	(1,668,488)
Other provisions	60,000	162,827
Provision for employees' end of service indemnity	373,799	228,644
	<u>3,329,678</u>	<u>7,336,362</u>
<i>Movements in working capital:</i>		
Financial assets at fair value through statement of income	136,051	2,060,650
Trade and other receivables	4,091,761	1,227,858
Inventories	476,034	4,032,851
Trade and other payables	<u>(3,803,556)</u>	<u>(7,745,206)</u>
<i>Cash from operations</i>	4,229,968	6,912,515
Other provisions, paid	-	(707,275)
Payment of employees' end of service indemnity provision	<u>(83,714)</u>	<u>(21,840)</u>
<i>Net cash from operating activities</i>	<u>4,146,254</u>	<u>6,183,400</u>
Investing activities		
Paid for purchase of property, machinery and equipment	(195,630)	(3,038,619)
Assets at fair value through other comprehensive income	(5,315)	(8,879)
Dividend income received	1,762,049	1,668,488
<i>Net cash from / (used in) investing activities</i>	<u>1,561,104</u>	<u>(1,379,010)</u>
Financing activities		
Dividends paid	<u>(3,719,394)</u>	<u>(9,801,277)</u>
<i>Net cash used in financing activities</i>	<u>(3,719,394)</u>	<u>(9,801,277)</u>
Net increase / (decrease) in cash and cash equivalents	1,987,964	(4,996,887)
cash and cash equivalents at beginning of the period	<u>3,934,984</u>	<u>11,345,017</u>
Cash and cash equivalents at end of the period (Note 7)	<u>5,922,948</u>	<u>6,348,130</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information.

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Notes to the Interim Condensed Consolidated Financial Information (Unaudited)
For the nine month period ended 30 September 2020

1. General Information

Kuwait Portland Cement Company K.P.S.C. ("the Parent Company") was incorporated on 7 July 1976 in Kuwait as per memorandum of incorporation No. 966, Volume 2, and was listed in Boursa Kuwait on 1 April 1995. The latest amendment to the Parent Company's memorandum of incorporation and articles of association was dated 23 April 2019 to add a new article on allowing the Parent Company to practice certain new activities.

The principal activities of the Parent Company and its subsidiary are as follows:

- Trading by import & export in bulk cement and packaging of the different types of cement.
- Constructing, operating, leasing, and renting of stores and silos necessary for the supply and distribution of the different types of cement.
- Acquisition of the means of transportation for that purpose.
- Manufacturing and marketing of readymade concrete
- Purchasing and importing raw materials, machines and vehicles related to the Group's purposes.
- Acquisition of movables and real estates related to the Group's purposes.
- Utilizing the financial surpluses of the Parent Company by investing them in portfolios by specialized companies and entities.
- Activity of aggregate import, trade and sale and acquisition of its equipment, means of transportation and crushers.
- Activity related to sand (Quarries) and acquisition of its equipment and means of transportation.

The address of the Parent Company's registered office is P.O. Box, 42191-70652, Shuwaikh, State of Kuwait.

The interim condensed consolidated financial information of Kuwait Portland Cement Company K.S.C. (Public) and its subsidiary (the Group) for the period ended 30 September 2020 were authorized for issue by the Parent Company's board of directors on 12 November 2020.

2. Basis of preparation

This interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The interim condensed consolidated financial information does not include all the information and disclosures required for complete annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for fair presentation have been included.

Operating results for the nine month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For further information, please refer to the annual audited consolidated financial statements of the Group for the year ended 31 December 2019.

2. Basis of preparation (Continued)

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the Group.

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 as follows.

- IFRS 16: Leases
- Amendments to IFRS 9: Benefits of advance payment with negative compensation
- Amendments to IAS 28: Long-term Investments in Associates and Joint Ventures
- Annual Improvements to IFRSs 2015-2017 Cycle (issued on December 2017):
 - IFRS 3 - Business combinations
 - IFRS 11 - Joint arrangements
 - IAS 23 - Borrowing Costs

3. Use of judgements and estimates

In preparation of the interim condensed consolidated financial information, the management made judgments and estimates that may affect the adoption of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates.

The significant judgements made by management in adoption of the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which were described below.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the group's chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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For the nine month period ended 30 September 2020

3. Use of judgements and estimates (Continued)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further details about the assumptions made in measuring fair value are included in Note 12.

4. Details of the subsidiary

<u>Name of the subsidiary</u>	<u>Principal activity</u>	<u>Place of Incorporation</u>	<u>Percentage of ownership</u>	
			<u>2020</u>	<u>2019</u>
National Company for Aggregate Import & Sale W.L.L	Import and sale of aggregates	State of Kuwait	98%	98%

There are assignment letters from the non-controlling parties regarding their interests in the company in favor of the Parent Company.

5. Trade and other receivables

	<u>30 September 2020</u>	<u>(audited) 31 December 2019</u>	<u>30 September 2019</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Trade receivables	26,549,636	30,053,146	28,388,420
expecttion credit loss	(3,613,921)	(3,113,921)	(3,113,921)
	<u>22,935,715</u>	<u>26,939,225</u>	<u>25,274,499</u>
Advance payments	96,501	67,839	70,183
Other debit balances	22,394	639,307	13,218
	<u>23,054,610</u>	<u>27,646,371</u>	<u>25,357,900</u>

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For the nine month period ended 30 September 2020

6. Inventories

	30 September 2020	(audited) 31 December 2019	30 September 2019
	KD	KD	KD
Raw materials	512,005	506,978	534,310
Cement	1,135,321	1,044,128	1,030,467
Steel	2,183,042	2,911,512	2,406,669
Spare Parts	396,170	55,116	323,263
Goods in transit	550,744	149,174	597,285
Cement sacks	54,130	393,734	44,053
Aggregate	838,196	1,085,000	936,112
	<u>5,669,608</u>	<u>6,145,642</u>	<u>5,872,159</u>
Provision of slow moving inventories	(27,701)	(27,701)	(27,701)
	<u>5,641,907</u>	<u>6,117,941</u>	<u>5,844,458</u>

7. Cash and cash equivalents

	30 September 2020	(audited) 31 December 2019	30 September 2019
	KD	KD	KD
Cash on hand	264,744	33,786	73,203
Bank balances	5,418,216	3,797,262	3,026,990
Cash in investment portfolios	239,988	103,936	3,247,937
	<u>5,922,948</u>	<u>3,934,984</u>	<u>6,348,130</u>

8. Trade and other payables

	30 September 2020	(audited) 31 December 2019	30 September 2019
	KD	KD	KD
Trade payables	5,385,733	8,247,565	6,261,009
Accrued expenses	878,372	1,510,675	1,239,581
Accrued leaves	566,270	474,954	492,754
Contribution to Kuwait Foundation for the Advancement of Sciences	911	81,728	66,214
National Labour Support Tax	-	173,192	131,387
Zakat	-	81,728	52,555
Board of directors' remuneration	195,000	260,000	195,000
	<u>7,026,286</u>	<u>10,829,842</u>	<u>8,438,500</u>

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For the nine month period ended 30 September 2020

9. Basic earnings per share (fils)

Basic earnings per share are calculated by dividing net profit for the period by the weighted average number of shares:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Profit for the period – KD	<u>1,345,812</u>	<u>605,602</u>	<u>(104,789)</u>	<u>6,176,284</u>
Weighted average number of outstanding shares (shares)	<u>100,221,960</u>	<u>100,221,960</u>	<u>100,221,960</u>	<u>100,221,960</u>
Basic earnings per share (fils)	<u>13.43</u>	<u>6.04</u>	<u>(1.05)</u>	<u>61.62</u>

10. Related party transactions

Related party transactions primarily comprise of subsidiaries, significant shareholders, directors and key management personnel of the Group, and entities of which they are principal owners. All related party transactions are carried out on terms approved by the Group's management.

Related parties transactions included in the interim condensed consolidated financial information were as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	KD	KD	KD	KD
Condensed consolidated statement of income				
<i>Staff and executive managers:</i>				
Salaries and other benefits	165,677	165,677	497,031	497,031
Directors' remuneration	65,000	65,000	195,000	195,000

11. Segment information

IFRS 8 requires that operating segments to be identified based on the internal reports of Group segments which are regularly reviewed by the chief decision maker so as to evaluate their performance. The Parent Company's management has classified the Group's products and services into the following operational segments according to the IFRS 8: "Operating Segments":

- Cement, steel and aggregate.
- Ready mix.
- Investments.

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12. Fair value measurement

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

30 September 2020	Level 1	Total
	KD	KD
<i>Financial assets at fair value through statement of income</i>		
Quoted equities	21,495,675	21,495,675
<i>Financial assets at fair value through other comprehensive income</i>		
Quoted equities	20,710,272	20,710,272
31 December 2019	Level 1	Total
	KD	KD
<i>Financial assets at fair value through statement of income</i>		
Quoted equities	25,245,589	25,245,589
<i>Financial assets at fair value through other comprehensive income</i>		
Quoted equities	24,631,232	24,631,232
30 September 2019	Level 1	Total
	KD	KD
<i>Financial assets at fair value through statement of income</i>		
Quoted equities	20,696,428	20,696,428
<i>Financial assets at fair value through other comprehensive income</i>		
Quoted equities	21,089,800	21,089,800

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12. Fair value measurement (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on the Group's specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Valuation of unquoted equity investments classified under level 3 is normally based on price to book value technique, dividend yield method and external valuations with marketability discount provided in the range of 10% to 50%.

13. Contingent liabilities

	30 September	(audited)	30 September
	2020	31 December	2019
	KD	KD	KD
Letters of guarantee	<u>11,611,633</u>	<u>6,272,420</u>	<u>6,272,420</u>

14. General assembly of shareholders

On 29 June 2020, the general assembly of shareholders was held and approved the consolidated financial statements for the financial year ended 31 December 2019 and approved distribution of cash dividends at 40% of the share capital at 40 fils per share, (100% of the share capital at 100 fils per share). Further, it approved an amount of KD 260,000 as remuneration to be paid to the Board of Directors for the financial year ended 31 December 2019.

15. The financial impact of the Covid-19 pandemic

As a result of the significant events arising from the spread of the Novel Coronavirus ("COVID-19"), the Group's interim condensed consolidated financial information has been affected by such events. Consequently, the Group has incurred unrealized loss from financial assets at fair value through other comprehensive income with an amount of KD (3,926,275) and KD (3,614,298) representing unrealized loss from financial assets at fair value through statement of income during the nine month period ended 30 September 2020. Further, the Company's sales have materially declined due to the prevailing situation.