

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Kuwait Cement Company

Kuwait Public Shareholding Company
And its subsidiaries
State of Kuwait

Interim Condensed Consolidated Financial Information (Unaudited)
And the review report for the three months ended 31 March 2020

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

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

Kuwait Cement Company
Kuwait Public Shareholding Company
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Independent auditors' review report to the board of directors

Report on interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Cement Company K.P.S.C. ("the Parent Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2020, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards (34) "Interim Financial Reporting".

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

Scope of review

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

A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other matter

The consolidated financial statements for the year ended 31 December 2019 were audited by another auditor with BDO Al Nisf and Partners, who issued their unmodified opinion on such consolidated financial statements on 1 April 2020.

Report on other Legal and Regulatory Requirement

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that nothing have come to our attention indicating any contravention during the three month period ended 31 March 2020, of the Commercial Companies' Law No. 1 of 2016 and its Executive Regulations, as amended, or the Parent Company's Memorandum of incorporation and Articles of association, as amended, which might have materially affected the Group's activities or its consolidated financial position.

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

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

Kuwait 13 August 2020

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Financial Position
As at 31 March 2020 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	31 March 2020	(Audited) 31 December 2019	31 March 2019
Assets				
Non-current assets				
Property, plant and equipment	4	150,227,402	152,261,624	155,633,954
Intangible assets		25,939	32,852	59,971
Investment properties		770,641	770,641	770,641
Investments in associates	5	16,121,562	15,775,973	15,811,267
Financial assets at fair value through other comprehensive income	6	66,900,092	89,221,830	74,280,753
Right-of-use assets	7	4,363,844	4,488,527	4,881,660
		238,409,480	262,551,447	251,438,246
Current assets				
Inventories	8	16,153,267	16,429,047	17,436,154
Accounts receivable and other debit balances	9	27,235,295	27,471,315	35,562,621
Cash and cash equivalents	10	10,685,495	9,528,618	9,766,950
		54,074,057	53,428,980	62,765,725
Total assets		292,483,537	315,980,427	314,203,971
Equity and liabilities				
Equity				
Share capital	11	73,330,387	73,330,387	73,330,387
Share premium		26,675,810	26,675,810	26,675,810
Treasury shares	12	(13,546,935)	(13,546,935)	(13,546,935)
Gains on sale of treasury shares		441,409	441,409	441,409
Statutory reserve		48,270,703	48,270,703	47,856,817
Voluntary reserve		42,048,346	42,048,346	42,048,346
General reserve		18,930,128	18,930,128	18,930,128
Change of fair value reserve for financial assets at fair value through other comprehensive income		(24,822,445)	(2,347,295)	(17,346,094)
Group's share in associates' reserves		(41,143)	(54,746)	(169,518)
Foreign currency translation reserve		108,127	95,186	95,293
Retained earnings		15,084,158	15,320,862	23,768,451
Equity attributable to shareholders of the Parent Company		186,478,545	209,163,855	202,084,094
Non-controlling interests		143,654	163,843	153,224
Total equity		186,622,199	209,327,698	202,237,318
Liabilities				
Non-current liabilities				
Loans, bank facilities and murabaha	13	57,397,637	57,737,687	57,689,732
Provision for employees' end of services indemnity		3,531,411	3,594,497	3,435,217
Lease liabilities	7	3,473,009	3,933,552	4,251,412
		64,402,057	65,265,736	65,376,361
Current liabilities				
Loans, bank facilities and murabaha	13	18,976,364	18,963,851	17,732,917
Lease liabilities	7	454,174	439,961	236,927
Accounts payable and other credit balances	14	22,028,743	21,983,181	28,620,448
		41,459,281	41,386,993	46,590,292
Total liabilities		105,861,338	106,652,729	111,966,653
Total equity and liabilities		292,483,537	315,980,427	314,203,971

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

Rashed Abdulaziz Al-Rashed
Chairman

Dr. Abdulaziz Rashed Al-Rashed
Vice Chairman

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Income
For the three months ended 31 March 2020 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 31 March 2020	2019
Sales		15,441,374	26,645,117
Cost of sales	15	(14,715,009)	(23,159,295)
Gross profit		726,365	3,485,822
Net other operating (expenses) / income	16	(6,864)	114,704
Selling, general and administrative expenses		(918,224)	(1,123,425)
Operating (loss)/ profit		(198,723)	2,477,101
Provision for expected credit losses		(57,382)	(63,009)
Finance charges		(628,208)	(769,777)
Interest income		492	1,091
Net investments gains/ (loses)	17	124,742	(19,330)
Group's share of results from associates	5	326,959	(81,292)
Net (loss) / profit before deductions		(432,120)	1,544,784
Contribution to Kuwait Foundation for the Advancement of Sciences		-	(14,931)
National Labour Support Tax		-	(33,827)
Zakat		-	(14,431)
Board of directors' remuneration		-	(52,000)
Net (loss) / profit for the period		(432,120)	1,429,595
Attributable to:			
The Parent Company's shareholders		(431,943)	1,429,891
Non-controlling interests		(177)	(296)
Net (loss) / profit for the period		(432,120)	1,429,595
Basic and diluted (loss) / earning per share (fils)	18	(0.61)	2.01

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

Kuwait Cement Company K.P.S.C.
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شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Comprehensive Income
For the three months ended 31 March 2020 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March 2020	Three months ended 31 March 2019
Net (loss) / profit for the period		(432,120)	1,429,595
Other comprehensive income items:			
Items that may be reclassified subsequently to the interim condensed consolidated statement of income:			
Investments in associates:			
Group's share in associates' reserves	5	13,603	(394,705)
Differences of foreign currencies translation:			
Group's share in foreign currency translation reserve		13,039	(36)
Items that will not be reclassified subsequently in the interim condensed consolidated statement of income:			
Financial assets at fair value through other comprehensive income:			
Change in fair value of financial assets at fair value through other comprehensive income		(22,493,528)	7,964,313
Total other comprehensive (loss) / income items for the period		(22,466,886)	7,569,572
Total comprehensive (loss) / income for the period		(22,899,006)	8,999,167
Attributable to:			
The Parent Company's shareholders		(22,877,299)	8,991,474
Non-controlling interests		(21,707)	7,693
Total comprehensive (loss) / income for the period		(22,899,006)	8,999,167

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

Kuwait Cement Company K.P.S.C.
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KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2020 *(Unaudited)*

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company													
	Share capital	Share premium	Treasury shares	Gains on sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Change of fair value reserve for financial assets at fair value through other comprehensive income	Group's share in associates' reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	73,330,387	26,675,810	(13,528,077)	441,409	47,856,817	42,048,346	18,930,128	(24,949,961)	225,187	95,329	21,887,300	193,012,675	145,358	193,158,033
Net profit/ (loss) for the period	-	-	-	-	-	-	-	-	-	-	1,429,891	1,429,891	(296)	1,429,595
Total other comprehensive income / (loss) items for the period	-	-	-	-	-	-	-	7,956,324	(394,705)	(36)	-	7,561,583	7,989	7,569,572
Gain on disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-	(352,457)	-	-	422,951	70,494	201	70,695
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(28)	(28)
Purchase of treasury shares	-	-	(18,858)	-	-	-	-	-	-	-	-	(18,858)	-	(18,858)
The Group's share from movements on retained earnings of associates	-	-	-	-	-	-	-	-	-	-	28,309	28,309	-	28,309
Balance at 31 March 2019	73,330,387	26,675,810	(13,546,935)	441,409	47,856,817	42,048,346	18,930,128	(17,346,094)	(169,518)	95,293	23,768,451	202,084,094	153,224	202,237,318
Balance at 1 January 2020	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(2,347,295)	(54,746)	95,186	15,320,862	209,163,855	163,843	209,327,698
Net (loss) for the period	-	-	-	-	-	-	-	-	-	-	(431,943)	(431,943)	(177)	(432,120)
Total other comprehensive (loss) / income items for the period	-	-	-	-	-	-	-	(22,471,900)	13,603	12,941	-	(22,445,356)	(21,530)	(22,466,886)
Gain on disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-	(3,250)	-	-	190,212	186,962	1,518	188,480
The Group's share from movements on retained earnings of associates	-	-	-	-	-	-	-	-	-	-	5,027	5,027	-	5,027
Balance at 31 March 2020	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(24,822,445)	(41,143)	108,127	15,084,158	186,478,545	143,654	186,622,199

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

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim Condensed Consolidated Statement of Cash Flows
For the three months ended 31 March 2020 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 31 March 2020	2019
Cash flows from operating activities			
Net (loss)/ profit for the period		(432,120)	1,429,595
Adjustments:			
Depreciation and amortization		2,555,600	2,310,923
Provision for expected credit losses	9	57,382	63,009
Gains on disposal of property, plant and equipment		(1,094)	(49,065)
Net investment gains	17	(146,359)	(3,431)
Finance charges		628,208	769,777
Interest income		(492)	(1,091)
Group's share of results from associates	5	(326,959)	81,292
Provision for employees' end of services indemnity		(63,086)	117,257
Net operating profit before working capital changes		2,271,080	4,718,266
Inventories		275,780	1,312,601
Accounts receivable and other debit balances		175,041	(2,373,647)
Accounts payable and other credit balances		(114,657)	513,374
Net cash from operating activities		2,607,244	4,170,594
Cash flows from investing activities			
Paid for purchase of property, plant and equipment	4	(347,465)	(974,294)
Proceeds on sale of property, plant and equipment		1,094	130,000
Paid for purchase of intangible assets		(1,694)	-
Paid for purchase of financial assets at fair value through other comprehensive income		(713,284)	(1,172,277)
Proceeds on sale of financial assets at fair value through other comprehensive income		730,072	1,244,226
Dividend received		146,359	3,431
Interest income received		492	1,091
Net cash used in investing activities		(184,426)	(767,823)
Cash flows from financing activities			
Paid for loans, bank facilities and murabaha		(400,100)	(1,892,056)
Finance charges paid		(367,742)	(712,719)
Dividends paid		(8,336)	(27,687)
Lease liabilities		(489,763)	(393,321)
Net change in non-controlling interests		-	(28)
Paid for purchase of treasury shares		-	(18,858)
Net cash used in financing activities		(1,265,941)	(3,044,669)
Net increase in cash and cash equivalents		1,156,877	358,102
Cash and cash equivalents at beginning of the period		9,528,618	9,408,848
Cash and cash equivalents at the end of the period	10	10,685,495	9,766,950

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

1. Incorporation and activities

Kuwait Cement Company K.P.S.C. ("the Parent Company") is a Kuwaiti Shareholding Company incorporated as per the Amiri Decree issued on 5 November 1968. The Parent Company's shares were listed on Kuwait Stock Exchange on 29 September 1984.

The Parent Company's objectives are as follows:

1. Establishing a project for the production of ordinary cement, sulphate resisting portland cement and portland cement for industrial purposes and all kinds of cement.
2. Producing clinker material in all its different types, selling and exporting inside or outside the State of Kuwait.
3. Construction of factories and laboratories needed for achieving the Parent Company's objectives.
4. Dealing in all types of products, materials, tools and machinery relating to the Parent Company's activity and transferring them locally or abroad and importing and selling of aggregates inside or outside the State of Kuwait.
5. The Parent Company may have interests or participate in any suitable way with entities or companies conducting similar activities or which may assist it in achieving its objectives in Kuwait or abroad. It may as well acquire such entities or affiliate them, and participate in incorporation of real estate companies.
6. Utilize the financial surpluses available with the Parent Company by investing the same locally and internationally in financial and real estate portfolios with different types and purposes.
7. Investing the Company's funds by participating in incorporation of companies of all types and with different purposes and in investment funds, inside and outside the State of Kuwait.

The Parent Company's headquarters is located at Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries (collectively referred to as "the Group"). Such subsidiaries are as follows:

Name of the Company	Legal entity	Principal activity	Country of Incorporation	Percentage of ownership (%) 31 March 2020	31 December 2019	31 March 2019
Shuwaikh Cement Company	K.S.C.C.	Industrial	State of Kuwait	99.250	99.250	99.250
Amwaj Real Estate Company	K.S.C.C.	Real Estate	State of Kuwait	96.000	96.000	96.000
Kuwait Cement Ready-mix Company	K.S.C.C.	Industrial	State of Kuwait	99.844	99.844	99.844

The financial information prepared by the subsidiary's management was used to prepare interim condensed consolidated financial information for the three months period ended 31 March 2020. The total assets of subsidiaries amounted to KD 38,575,486 as at 31 March 2020 (31 December 2019: KD 37,626,703 and 31 March 2019: 44,552,438) and net loss amounted to KD 231,104 for the three months period ended 31 March 2020 (losses of KD 96,436for the three months period ended 31 March 2019).

The interim condensed consolidated financial information were authorized for issue by Parent Company's board of directors on 13 August 2020.

2. Basis of presentation and significant accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial information is prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

In the opinion of the management all adjustments (including recurring accruals) have been included in the interim condensed consolidated financial information. The operating results for period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2019.

2.2 Significant accounting policies

The accounting policies used in preparation of the interim condensed consolidated financial information are consistent with those used in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 and the accompanying notes except for application of new and amended standards that became effective for the current periods as stated below:

New and amended International Financial Reporting Standards (IFRSs)	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".	1 January 2020

New and amended International Financial Reporting Standards (IFRSs)	Effective for annual periods beginning on or after
Definition of Business - Amendments to IFRS 3 Business Combinations The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have "the ability to contribute to the creation of outputs' rather than 'the ability to create outputs".	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020

The amendments to IFRS which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

3. Financial risk management

3.1 Financial risk

The Group has exposure to credit risk, market risk, liquidity risk and operational risk related to its activities. The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019 except for the following:

Incorporation of forward-looking information

The methodologies and assumptions involved for incorporating forward looking information, including any forecasts of future economic conditions, have been reviewed and updated by the Group in considerations of the COVID-19 and decline in oil price with their corresponding negative impact on the economy.

3.2 Fair value estimation

The fair values of financial assets and liabilities are estimated as follows.

- Level 1: Quoted prices in active markets for quoted financial instruments.
- Level 2: Quoted prices in active markets for similar instruments. Quoted prices in inactive markets for similar assets or liabilities. Observable inputs other than quoted prices of financial instruments.
- Level 3: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of significant financial assets and liabilities are determined:

	Fair value as of				
		(Audited)		Fair	Valuation
	31 March 2020	31 December 2019	31 March 2019	value level	techniques and key inputs
Financial assets at fair value through statement of other comprehensive income:					
Quoted securities	50,492,339	72,158,574	56,968,863	First	Closing price
Funds and portfolios	10,729,452	11,396,885	11,943,381	Second	Net assets value Based on the latest available financial statements or on the basis of the
Unquoted securities	5,678,301	5,666,371	5,368,509	Three	last transactions

The fair value of the other financial assets and liabilities equal to their carrying amounts approximately as at the date of interim condensed consolidated financial information.

4. Property, plant and equipment

		(Audited)	
	31 March 2020	31 December 2019	31 March 2019
Net carrying value at beginning of period/year	152,261,624	156,936,158	156,936,158
Additions	347,465	4,656,580	974,294
Net disposals	-	(103,475)	(80,935)
Foreign currency translation differences	40,623	-	270
Depreciation for the period / year	(2,422,310)	(9,227,639)	(2,195,833)
Net carrying value at end of the period/year	150,227,402	152,261,624	155,633,954

All property, plant and equipment located on land leased from the State of Kuwait under leases contracts for a term of five years ending 2024.

5. Investments in associates

	Country of incorporation	Voting rights and ownership percentage %	Carrying amount 31 March 2020	(Audited) 31 December 2019	31 March 2019
Kuwait Rocks Co. K.S.C.C.	State of Kuwait	30.00	-	-	-
Marine Contracting and Services Co. K.S.C. Closed	State of Kuwait	33.39	16,121,562	15,775,973	15,811,267
			16,121,562	15,775,973	15,811,267

Movement on investment in associates was as follows:

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Balance at beginning of the period / year	15,775,973	16,258,955	16,258,955
Group's share in associates' business results	326,959	135,338	(81,292)
Group's share in associates' reserves	13,603	(279,933)	(394,705)
Group's share from the transfer to the retained earnings	5,027	43,390	28,309
Cash dividends received	-	(381,777)	-
Balance at end of the period / year	16,121,562	15,775,973	15,811,267

6. Financial assets at fair value through other comprehensive income

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Quoted securities	50,492,339	72,158,574	56,968,863
Unquoted securities	5,678,301	5,666,371	5,368,509
Funds and portfolios	10,729,452	11,396,885	11,943,381
	66,900,092	89,221,830	74,280,753

The quoted investments include investments of KD 21,513,981 as at 31 March 2020 in the shares of National Industries Group Holding K.P.S.C., which is one of the major shareholders in the Group (31 December 2019: KD 34,336,884 and 31 March 2019: KD 26,459,958).

7. Leases

The Group as a lessee

The Group leases plot of lands. Leases typically run for a period of five years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

Right of use assets

The carrying amounts of the Group's right of use assets and the movement during the period / year are set out below:

	31 March 2020	(Audited) 31 December 2019	31 March 2019
As at beginning of the period/ year	4,488,527	4,987,252	4,987,252
Amortization expenses	(124,683)	(498,725)	(105,592)
Balance at end of the period/ year	4,363,844	4,488,527	4,881,660

Lease liabilities

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

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Lease liabilities - Non-current portion	3,473,009	3,933,552	4,251,412
Lease liabilities - Current portion	454,174	439,961	236,927
	3,927,183	4,373,513	4,488,339

	31 March 2020	(Audited) 31 December 2019	31 March 2019
At beginning of the period/year	4,373,513	4,987,252	4,987,252
Lease liabilities paid	(489,763)	(787,467)	(542,346)
Interests of lease liabilities	43,433	173,728	43,433
At the end of the period/year	3,927,183	4,373,513	4,488,339

Below are the amounts recognised in the interim condensed consolidated statement of income:

	31 March 2020	31 March 2019
Amortization expenses of right-of-use assets	124,683	105,592
Interest expenses on lease liabilities	43,433	43,433
Expenses relating to short-term leases (stated under cost of sales)	115,617	116,795
Expenses relating to short-term leases (stated under general and administrative expenses)	11,810	9,115
Total amounts recognised in the interim condensed consolidated statement of income for leases	295,543	274,935

8. Inventories

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Raw materials	15,562,023	15,855,997	17,100,962
Finished goods	591,244	573,050	335,192
	16,153,267	16,429,047	17,436,154

9. Accounts receivable and other debit balances

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Amounts under collection at banks	262,913	427,198	605,934
Receivables against unconditional bank guarantees	3,525,626	3,707,138	4,077,792
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	413,427	424,957	2,698,399
Related parties (Note 20)	1,339,564	1,510,452	1,543,596
Other trade receivables	21,201,568	21,173,361	25,016,732
Total trade receivables	26,743,098	27,243,106	33,942,453
Other receivables	1,664,911	1,652,905	1,639,217
	28,408,009	28,896,011	35,581,670
Provision for expected credit losses	(3,239,605)	(3,178,626)	(2,992,160)
	25,168,404	25,717,385	32,589,510
Prepaid expenses	716,759	467,722	555,528
Notes receivables	1,350,132	1,286,208	2,417,583
	27,235,295	27,471,315	35,562,621

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

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Balance at beginning of the period / year	3,178,626	2,929,151	2,929,151
Charged during the period / year	57,382	249,475	63,009
Foreign currency translation differences	3,597	-	-
Balance at end of the period / year	3,239,605	3,178,626	2,992,160

10. Cash and cash equivalents

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Cash on hand and at banks	9,077,455	8,060,462	9,395,960
Cash at investment portfolios	1,608,040	1,468,156	370,990
Cash and cash equivalents	10,685,495	9,528,618	9,766,950

11. Share capital

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

12. Treasury shares

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Number of shares (No's)	20,330,200	20,330,200	20,330,200
Percentage to issued shares (%)	2.77	2.77	2.77
Market value (KD)	3,212,172	4,980,899	6,586,985

The Parent Company is committed to keeping reserves, retained earnings and share premium equal to the purchased treasury shares along acquisition period according to the instructions of the concerned regulatory authorities.

13. Loans, bank facilities and murabaha

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Non-current portion			
Loans	15,400,000	15,400,000	21,290,000
Murabaha	41,997,637	42,337,687	36,399,732
	57,397,637	57,737,687	57,689,732
Current portion			
	5,890,000	5,890,000	7,740,000
Loans	13,086,364	13,073,851	9,992,917
Murabaha	18,976,364	18,963,851	17,732,917
Total loans, bank facilities and murabaha	76,374,001	76,701,538	75,422,649

The average effective interest rate on the loans, bank facilities and murabaha was 3.5% as at 31 March 2020 (31 December 2019: 3.5% and 31 March 2019: 3.5%).

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

14. Accounts payable and other credit balances

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Suppliers	15,545,503	15,442,714	21,284,487
Accrued interest and expenses	3,186,692	2,816,026	3,579,908
Notes payable	1,246,620	1,415,858	1,569,749
Clients - advance payments	951,420	1,198,774	750,722
Payable cash dividends	961,830	970,166	841,037
Contribution to Kuwait Foundation for the Advancement of Sciences	39,370	39,370	255,035
National Labour Support Tax	63,776	63,776	209,313
Zakat	18,593	18,593	71,100
Retention	3,500	3,500	48,927
Other	11,439	14,404	10,170
	22,028,743	21,983,181	28,620,448

15. Cost of sales

	Three months ended 31 March	
	2020	2019
Raw materials	12,015,909	19,776,833
Change in finished goods	(18,194)	304,988
Salaries and benefits	940,061	1,331,955
Rent	105,282	115,245
Maintenance and spare parts	865,881	846,819
Depreciation & amortization	567,539	541,790
Other	238,531	241,665
	14,715,009	23,159,295

16. Net other operating (expenses)/ income

	Three months ended 31 March	
	2020	2019
Net income from investment properties	31,149	35,049
Net (losses) / gains from foreign exchange differences	(61,120)	7,892
Other income	23,107	71,763
	(6,864)	114,704

17. Net investments gains/ (losses)

	Three months ended 31 March	
	2020	2019
Financial assets at fair value through other comprehensive income:		
Cash dividends	146,359	3,431
Portfolio management fees	(21,617)	(22,761)
	124,742	(19,330)

18. Basic and diluted (loss) / earning per share

Basic and diluted (loss)/ earning per share are calculated by dividing the net (loss)/ profit for the period attributable to shareholders of the Parent Company for the year by the weighted average of the number of the existing ordinary shares determined based on number of existing shares of issued capital during the period, taking into account treasury shares. The calculation of basic and diluted (loss)/ earning per share is as follows:

	Three months ended 31 March	
	2020	**2019**
Net (loss)/ profit for the period attributable to shareholders of the Parent Company	(431,943)	1,429,891
Weighted average number of outstanding shares during the period (shares)	712,973,670	712,977,729
Basic and diluted (loss)/ earning per share (fils)	(0.61)	2.01

19. General assembly of the Parent Company's Shareholders

The general assembly meeting of the Parent Company's shareholders held on 23 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 and they have approved the following:

- Cash dividends of 5 fils per share of the paid share capital after deducting treasury shares to the concerned shareholders as set out in the schedule approved by the shareholders' general assembly.
- Cancellation of the board of directors' recommendation regarding allocation of free bonus shares for the financial year ended 31 December 2019.

20. Related party transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, associates, and subsidiaries in which the Company has representatives in their board. In the normal course of business, and subject to the approval of the Group's management, transactions were made with such parties during the period ended 31 March 2020. Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

Following is a summary of significant related party transactions:

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Balances			
Account receivables and other debit balances (Note 9)	1,339,564	1,510,452	1,543,596
Provision for employees' end of services indemnity	621,738	618,053	606,917

	Three months ended 31 March	
	2020	**2019**
Transactions		
Sales	644,783	846,193
Board of directors' remuneration	-	52,000
Committees' fees	44,750	37,500
Senior management salaries and benefits	116,886	148,562

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

21. Contingent liabilities and capital commitments

	31 March 2020	(Audited) 31 December 2019	31 March 2019
Contingent liabilities			
Letters of guarantee	793,000	793,000	581,133
Capital commitments			
Letters of credit	115,529	111,945	1,354,678
Uncalled subscription relating to investments in funds	321,972	321,972	321,972
Contracts for importing raw materials	9,747,944	9,425,086	14,996,291
Property, plant and equipment	744,201	807,354	668,901

There is a dispute between the Parent Company and a supplier about the financial obligations resulting from the termination of the raw materials supply contract between both parties where that party submitted a financial claim, while Parent Company's management has applied with the Court's judicial arbitration for discharging it from any financial obligations resulting from termination of that contract. During the previous period, a judgment was issued for the release of all the Parent Company's financial obligations towards the supplier. The dispute with the supplier has not been resolved yet and the Parent Company's management believes that the provisions provided are sufficient against all the obligations that might result from this dispute.

22. Segment financial information

The management has grouped the Group's products and services into the following operating segments under IFRS 8 as follows:

The primary segments information is as follows:

Operating Segments

The Group has determined the following two major business segments for internal reporting purposes:

- Manufacturing sector which includes production and sale cement and ready mix cement.
- Investment sector

Financial information on business segments for the three months period ended 31 March is as follows:

	2020			2019		
	Manufacturing sector	Investment Sector	Total	Manufacturing sector	Investment Sector	Total
Segments revenues	15,464,481	482,850	15,947,331	26,716,833	(65,603)	26,651,230
Segments gross (loss)/ profit	(287,254)	482,850	195,596	2,379,073	(65,603)	2,313,470
Segments assets	207,083,202	85,400,335	292,483,537	222,979,966	91,224,005	314,203,971
Adjustments:						
Segments gross profit			195,596			2,313,470
Finance charges			(628,208)			(769,777)
Interest income			492			1,091
			(432,120)			1,544,784

23. Impact of COVID-19

The World Health Organization declared on 11 March 2020 the Novel Coronavirus (Covid-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. It also led to the emergence of unprecedented uncertainties about the global economic environment.

The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak, on its operations and financial performance. The Group has performed an assessment of COVID-19 implications on the financial results of the Group, in light of IFRSs, and incorporated the outcome in the interim condensed consolidated financial information and explained the changes related to the expected credit losses' approach, estimates and judgements concerning fair value measurement and impairment of non-financial assets and associates as at and for the period ended 31 March 2020.

The Group considered the potential impact of the existing instability of economy on the reported amounts of the Group's financial and non-financial assets. Reported amounts represent the management's best estimate based on the observable information. However, markets remain volatile and the carrying amounts of assets remain sensitive to market fluctuations. The impact of economic environment is still largely reasonable. Accordingly, the Group will continue to reassess its position and associated impact on a regular basis.