

KUWAIT FOUNDRY COMPANY K.S.C.P.

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

30 SEPTEMBER 2019



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

Tel: +965 2 295 5000
Fax: +965 2 245 6419
kuwait@kw.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT FOUNDRY COMPANY – K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Kuwait Foundry Company K.S.C.P. (the “Company”) as at 30 September 2019, and the related interim condensed statement of profit or loss and the interim condensed statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed statement of changes in equity and interim condensed statement of cash flows for the nine-month period then ended. The management of the Company is responsible for the preparation and presentation of the interim condensed financial information in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on the interim condensed financial information based on our review.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*” A review of interim 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, it 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.

Basis for Qualified Conclusion

The Company’s investment in Egyptian Kuwaiti Foundry Company S.A.E., a foreign associate accounted for using the equity method, is carried at KD 1,429,436 on the interim condensed statement of financial position as at 30 September 2019 (31 December 2018: KD 1,509,945 and 30 September 2018: KD 1,631,531), and the Company’s share of loss of an associate amounting KD 230,193 included in the interim condensed statement of profit or loss for the period then ended (30 September 2018: KD 88,117), and the other comprehensive income from the associate for the nine months period ended 30 September 2019 amounting to KD 149,684 included in the interim condensed statement of comprehensive income for the period then ended (30 September 2018: KD 11,251) are based on management accounts, as reviewed interim condensed financial information is not available in respect of this associate. We were unable to obtain sufficient appropriate evidence about the carrying amount of the Company’s investment in the foreign associate as at 30 September 2019 and the Company’s share of loss and other comprehensive income for the period then ended. Consequently, we were unable to determine whether any adjustments to those amounts and balances were necessary.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT FOUNDRY COMPANY – K.S.C.P. (continued)

Qualified Conclusion

Except for the adjustments to the interim condensed financial information that we might have become aware of had it not been for the matter described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting.

Other Matter

The financial statements of the Company for the year ended 31 December 2018 and the interim condensed financial information for the nine-month period ended 30 September 2018, were audited and reviewed, respectively, by another auditor who expressed a modified opinion and an unmodified conclusion on those statements on 18 March 2019 and 5 November 2018, respectively.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the Company. We further report that, except for the matter described in the “Basis for Qualified Conclusion” paragraph above, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Company’s Memorandum of Incorporation and Articles of Association, as amended, during the nine-month period ended 30 September 2019 that might have had a material effect on the business of the Company or on its financial position.



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

5 November 2019
Kuwait

Kuwait Foundry Company K.S.C.P.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

	Notes	30 September 2019 KD	(Audited) 31 December 2018 KD	30 September 2018
ASSETS				
Non-current assets				
Property, plant and equipment		325,409	333,818	332,153
Investment in an associate		1,429,436	1,509,945	1,631,531
Financial assets at fair value through other comprehensive income	4	15,707,628	33,989,497	34,099,434
Loans and advances		-	1,499,903	1,466,248
		<u>17,462,473</u>	<u>37,333,163</u>	<u>37,529,366</u>
Current assets				
Inventories		2,560,500	2,467,434	2,418,444
Trade and other receivables		233,482	576,617	595,881
Loans and advances		300,952	300,013	271,858
Financial assets at fair value through profit or loss		1,176,528	1,907,720	1,891,891
Cash and short-term deposits	5	6,058,665	1,713,487	1,429,755
		<u>10,330,127</u>	<u>6,965,271</u>	<u>6,607,829</u>
TOTAL ASSETS		<u><u>27,792,600</u></u>	<u><u>44,298,434</u></u>	<u><u>44,137,195</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	14	7,232,559	15,388,423	15,388,423
Share premium	13	8,026,028	17,100,000	17,100,000
Statutory reserve		3,616,280	5,463,472	5,342,966
Voluntary reserve		76,190	211,404	211,404
Fair value reserve		(162,649)	4,744,249	4,847,696
Foreign currency translation reserve		(1,499,623)	(1,649,307)	(1,644,622)
Retained earnings		4,594,467	1,095,860	1,225,866
TOTAL EQUITY		<u>21,883,252</u>	<u>42,354,101</u>	<u>42,471,733</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		430,618	1,098,501	1,088,181
Current liabilities				
Trade and other payables	6	5,478,730	520,840	577,281
Bank overdrafts	5	-	324,992	-
		<u>5,478,730</u>	<u>845,832</u>	<u>577,281</u>
TOTAL LIABILITIES		<u>5,909,348</u>	<u>1,944,333</u>	<u>1,665,462</u>
TOTAL EQUITY AND LIABILITIES		<u><u>27,792,600</u></u>	<u><u>44,298,434</u></u>	<u><u>44,137,195</u></u>



Ahmad Jassem Al Gumar
Chairman

شركة السبب التمهيدية
سجل تجاري 11196
عمامة



Al Muthana Mohammed Al Maktoum
Chief Executive Officer

The attached notes 1 to 14 form part of this interim condensed financial information.

Kuwait Foundry Company K.S.C.P.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the period ended 30 September 2019

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2019 KD</i>	<i>2018 KD</i>	<i>2019 KD</i>	<i>2018 KD</i>
Revenue from contracts with customers		465,065	492,238	1,371,655	1,644,544
Cost of sales		(283,367)	(261,271)	(840,778)	(834,925)
GROSS PROFIT		181,698	230,967	530,877	809,619
Other income		573	2,696	104,782	24,156
Interest income		189,433	890	200,156	9,546
Selling and marketing expenses		(12,202)	(13,367)	(39,703)	(39,075)
General and administrative expenses		(215,495)	(89,912)	(547,272)	(455,001)
OPERATING PROFIT		144,007	131,274	248,840	349,245
Share of results of an associate		(102,866)	-	(230,193)	(88,117)
Net investment income	7	100,000	72,819	961,795	936,373
PROFIT BEFORE TAX		141,141	204,093	980,442	1,197,501
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(1,270)	(1,838)	(8,824)	(10,778)
Reversal of (allowance for) National Labour Support Tax ("NLST")		12,674	(3,658)	(162,958)	(19,745)
Reversal of (allowance for) Zakat		5,070	(1,435)	(62,893)	(4,943)
PROFIT FOR THE PERIOD		157,615	197,162	745,767	1,162,035
BASIC AND DILUTED EARNINGS PER SHARE	8	1.36 fils	2.17 fils	5.28 fils	12.78 fils

The attached notes 1 to 14 form part of this interim condensed financial information.

Kuwait Foundry Company K.S.C.P.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the period ended 30 September 2019

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	157,615	197,162	745,767	1,162,035
Other comprehensive income				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	41,266	-	149,684	11,251
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>				
Net gain on equity instruments designated at fair value through other comprehensive income	-	1,169,228	1,833,474	1,491,468
Total other comprehensive income for the period	41,266	1,169,228	1,983,158	1,502,719
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	198,881	1,366,390	2,728,925	2,664,754

The attached notes 1 to 14 form part of this interim condensed financial information.

Kuwait Foundry Company K.S.C.P.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2019

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD
As at 1 January 2019 (Audited)	15,388,423	17,100,000	5,463,472	211,404	4,744,249	(1,649,307)	1,095,860	42,354,101
Profit for the period	-	-	-	-	-	-	745,767	745,767
Other comprehensive income	-	-	-	-	1,833,474	149,684	-	1,983,158
Total comprehensive income	-	-	-	-	1,833,474	149,684	745,767	2,728,925
Reduction in share capital (Note 14)	(8,155,864)	-	-	-	-	-	-	(8,155,864)
Transfer of fair value reserve on derecognition of equity investments designated at FVOCI	-	-	-	-	(6,740,372)	-	6,740,372	-
Gain on disposal of equity investments at FVOCI	-	-	-	-	-	-	1,348	1,348
Cash dividends (Note 13)	-	-	-	(135,214)	-	-	(3,988,880)	(4,124,094)
Distribution of equity reserves (Note 13)	-	(9,073,972)	(1,847,192)	-	-	-	-	(10,921,164)
At 30 September 2019	7,232,559	8,026,028	3,616,280	76,190	(162,649)	(1,499,623)	4,594,467	21,883,252
As at 1 January 2018 as previously reported (Audited)	15,388,423	17,100,000	5,342,966	275,463	3,777,313	(1,655,873)	4,552,468	44,780,760
Impact of adopting IFRS 9	-	-	-	-	(311,410)	-	(45,844)	(357,254)
Adjusted balance as at 1 January 2018 (restated)	15,388,423	17,100,000	5,342,966	275,463	3,465,903	(1,655,873)	4,506,624	44,423,506
Profit for the period	-	-	-	-	-	-	1,162,035	1,162,035
Other comprehensive income	-	-	-	-	1,491,468	11,251	-	1,502,719
Total comprehensive income	-	-	-	-	1,491,468	11,251	1,162,035	2,664,754
Gain on disposal of equity investments at FVOCI	-	-	-	-	(109,675)	-	109,675	-
Cash dividends (Note 13)	-	-	-	(64,059)	-	-	(4,552,468)	(4,616,527)
At 30 September 2018	15,388,423	17,100,000	5,342,966	211,404	4,847,696	(1,644,622)	1,225,866	42,471,733

The attached notes 1 to 13 form part of this interim condensed financial information.

Kuwait Foundry Company K.S.C.P.

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2019

	Notes	Nine months ended	
		30 September	
		2019	2018
		KD	KD
OPERATING ACTIVITIES			
Profit before tax		980,442	1,197,501
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation of property, plant and equipment		20,926	21,028
Provision for employees' end of service benefits		19,925	36,720
Dividend income		(924,490)	(1,029,451)
Changes in fair value of financial assets at fair value through profit or loss		(1,451)	93,078
Gain on sale of financial assets at fair value through profit or loss		(35,854)	-
Allowance for expected credit losses		34,661	56,119
Share of results of an associate		230,193	88,117
Interest income		(200,156)	(9,546)
		<u>124,196</u>	<u>453,566</u>
<i>Working capital adjustments:</i>			
Inventories		(93,066)	(61,650)
Trade and other receivables, loans and advances		1,807,032	101,245
Trade and other payables		(10,771)	(200,381)
		<u>1,827,391</u>	<u>292,780</u>
Cash flows from operations		1,827,391	292,780
Employees' end of service benefits paid		(687,808)	(11,170)
		<u>1,139,583</u>	<u>281,610</u>
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,517)	(19,185)
Purchase of financial assets at FVOCI		-	(968,107)
Proceeds from sale of financial assets at FVOCI		20,116,691	182,791
Proceeds from sale of financial assets at FVTPL		768,497	-
Dividend income received	7	924,490	1,029,451
Interest income received		200,156	9,546
		<u>21,997,317</u>	<u>234,496</u>
Net cash flows from investing activities			
FINANCING ACTIVITIES			
Cash dividends paid	13	(1,176,950)	(4,561,609)
Distribution of equity reserves	13	(9,925,839)	-
Payments to equity holders on reduction of share capital	14	(7,363,941)	-
		<u>(18,466,730)</u>	<u>(4,561,609)</u>
Net cash flows used in financing activities			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,670,170	(4,045,503)
Cash and cash equivalents as at the 1 January		1,388,495	5,475,258
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		6,058,665	1,429,755

The attached notes 1 to 14 form part of this interim condensed financial information.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

1 CORPORATE INFORMATION

The interim condensed financial information of Kuwait Foundry Company K.S.C.P. (the "Company") for the nine months ended 30 September 2019 was authorised for issue in accordance with a resolution of the Company's Board of Directors on 31 October 2019.

The financial statements of the Company for the year ended 31 December 2018 were approved in the annual general assembly meeting (AGM) of the shareholders held on 13 May 2019.

The Company is a public shareholding company, incorporated and domiciled in Kuwait and whose shares are publicly traded in Boursa Kuwait. The Company's registered office is located at Al Rai Industrial Area, Street (10). The Company operates in the iron and steel industry and is principally engaged in the casting of iron and other metals and the manufacturing of industrial supplies and related products. The Company also invests surplus funds through portfolios managed by specialised parties.

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

2.1 Basis of preparation

The interim condensed financial information of the Company, for the nine months ended 30 September 2019 has been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34").

The interim condensed financial information is presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Company.

The interim condensed financial information does not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2018.

2.2 New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, IFRS 16 '*Leases*' that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed financial information of the Company.

3 IMPACT OF ADOPTION OF IFRS 16

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Company has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Company has adopted IFRS 16 '*Leases*' ("IFRS 16") for the first time effective as of 1 January 2019. Management assessed that the Company has only short-term leases and leases of low-value assets. Therefore, the adoption of this new standard has no impact on the interim condensed financial information of the Company.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
Quoted securities	-	18,010,714	18,622,058
Unquoted securities	15,707,628	15,978,783	15,477,376
	15,707,628	33,989,497	34,099,434

The hierarchy for determining the fair values of the financial assets at fair value through other comprehensive income by valuation techniques is presented in Note 12.

5 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
Cash in hand	4,112	-	6,135
Cash at banks	2,844,021	1,000,065	1,283,732
Cash held in managed portfolios	3,500	410,122	139,888
Short-term deposits	3,207,032	303,300	-
Total cash and short-term deposits	6,058,665	1,713,487	1,429,755
Bank overdrafts	-	(324,992)	-
Total cash and cash equivalents	6,058,665	1,388,495	1,429,755

Short-term deposits are made for varying periods between one and three months, depending on the immediate cash requirements of the Company and earn interest at an average effective interest rate ranging from 2.5% to 3.125% as at 30 September 2019 (31 December 2018: 1.625% to 2.5%) per annum.

At 30 September 2019, the Company had available KD 750,000 (31 December 2018: KD 425,008 and 30 September 2018: KD 750,000) of undrawn committed overdraft facilities.

6 TRADE AND OTHER PAYABLES

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
Trade payables	110,603	44,090	144,476
Other accruals	498,342	337,564	352,334
Dividends and distributions payable	4,869,785	139,186	80,471
	5,478,730	520,840	577,281

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

7 NET INVESTMENT INCOME

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2019	2018	2019	2018
	KD	KD	KD	KD
Dividend income	100,000	72,819	924,490	1,029,451
Changes in fair value of financial assets at fair value through profit or loss	-	-	1,451	(93,078)
Gain on sale of financial assets at fair value through profit or loss	-	-	35,854	-
	100,000	72,819	961,795	936,373

8 EARNINGS PER SHARE (EPS)

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2019	2018	2019	2018
Net profit for the period (KD)	157,615	197,162	745,767	1,162,035
Weighted average number of ordinary shares	116,241,742	90,933,524	141,290,604	90,933,524
Basic and diluted EPS (fils)	1.36	2.17	5.28	12.78

In accordance with International Accounting Standard IAS 33: "Earnings Per Share", the prior year comparative information has been restated as a result of the reduction in share capital (Note 14). EPS for the three-month and nine-month periods ended 30 September 2018 was 7.55 fils and 1.28 fils, respectively, before the retrospective adjustment to the weighted average number of shares following the reduction in share capital.

9 RELATED PARTY DISCLOSURES

These represent transactions with certain parties (major shareholders, associates, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties) entered by the Company in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Company's management.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

9 RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions that have been entered with related parties during the nine months 30 September 2019 and 2018, as well as, balances with related parties as at 30 September 2019, 31 December 2018 and 30 September 2018.

	<i>Major shareholder</i> <i>KD</i>	<i>Nine months ended 30 September</i>	
		<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
<i>Statement of profit or loss:</i>			
Revenue from contracts with customers	23,837	23,837	33,792
		<i>(Audited)</i>	
	<i>Other related parties</i> <i>KD</i>	<i>30 September 2019</i> <i>KD</i>	<i>31 December 2018</i> <i>KD</i>
			<i>30 September 2018</i> <i>KD</i>
<i>Statement of financial position:</i>			
Loans and advances	300,952	300,952	1,799,916
			1,738,106

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms approved by the management of the Company. Outstanding balances at the reporting date are unsecured, interest free and repayable on demand. For the periods ended 30 September 2019 and 2018, the Company has not recorded any provisions for expected credit losses relating to amounts owed by related parties. There have been no guarantees provided or received for any related party receivables or payables.

Key management compensation

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company.

The aggregate value of transactions and balances outstanding related to key management personnel were as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2019</i> <i>KD</i>	<i>30 September 2018</i> <i>KD</i>	<i>30 September 2019</i> <i>KD</i>	<i>30 September 2018</i> <i>KD</i>
Salaries and other short-term benefits	145,504	47,215	353,880	236,620
End of service benefits	14,561	9,289	33,140	27,868
	<u>160,065</u>	<u>56,504</u>	<u>387,020</u>	<u>264,488</u>

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

10 SEGMENT INFORMATION

For management purposes, the Company is organised into two major business segments. The principal activities and services under these segments are as follows:

- ▶ Manufacturing: which represents the manufacturing of iron and other metal products.
- ▶ Investment: which represents the Company's investments in securities and investment units to utilise the Company's financial surplus.

The following tables present revenue and profit information for the Company's operating segments for the nine months ended 30 September 2019 and 2018, respectively:

<i>30 September 2019</i>	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Revenue	1,371,655	1,161,951	104,782	2,638,388
Costs and expenses	(823,507)	-	(817,995)	(1,641,502)
Depreciation	(17,271)	-	(3,655)	(20,926)
Share of results of an associate	-	(230,193)	-	(230,193)
Segment profit (loss)	<u>530,877</u>	<u>931,758</u>	<u>(716,868)</u>	<u>745,767</u>

<i>30 September 2018</i>	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Revenue	1,634,998	945,919	33,702	2,614,619
Costs and expenses	(856,627)	-	(486,812)	(1,343,439)
Depreciation	(17,373)	-	(3,655)	(21,028)
Share of results of an associate	-	(88,117)	-	(88,117)
Segment profit (loss)	<u>760,998</u>	<u>857,802</u>	<u>(456,765)</u>	<u>1,162,035</u>

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

10 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Company's operating segments as at 30 September 2019, 31 December 2018 and 30 September 2018, respectively:

	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Assets				
30 September 2019	<u>3,017,535</u>	<u>24,673,210</u>	<u>101,855</u>	<u>27,792,600</u>
31 December 2018 (Audited)	<u>2,968,419</u>	<u>39,906,660</u>	<u>1,423,355</u>	<u>44,298,434</u>
30 September 2018	<u>2,903,171</u>	<u>39,500,850</u>	<u>1,733,174</u>	<u>44,137,195</u>
	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Liabilities				
30 September 2019	<u>171,843</u>	-	<u>5,737,505</u>	<u>5,909,348</u>
31 December 2018 (Audited)	<u>328,897</u>	<u>324,992</u>	<u>1,290,444</u>	<u>1,944,333</u>
30 September 2018	<u>577,281</u>	-	<u>1,088,181</u>	<u>1,665,462</u>

11 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September 2019 KD</i>	<i>(Audited) 31 December 2018 KD</i>	<i>30 September 2018</i>
Contingent liabilities			
Guarantees to an unrelated party	22,150	22,150	22,150
Commitments			
Unsettled portion of loan advanced to a related party	-	81,041	392,039

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12 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- ▶ 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

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The following tables provide the fair value measurement hierarchy of the Company's financial instruments measured at fair value on a recurring basis as at 30 September 2019, 31 December 2018 and 30 September 2018:

	<i>Fair value measurement using</i>			<i>Total KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
<i>30 September 2019</i>				
Assets measured at fair value:				
<i>Financial assets at FVTPL:</i>				
Unquoted equity securities	-	-	1,176,528	1,176,528
<i>Financial assets at FVOCI:</i>				
Unquoted equity securities	-	-	15,707,628	15,707,628
Investment securities (at fair value)	-	-	16,884,156	16,884,156

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

12 FAIR VALUE MEASUREMENT (continued)

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	<i>Non-listed equity investments</i>		
	<i>Financial assets</i>	<i>Financial assets</i>	<i>Total</i>
	<i>at FVOCI</i>	<i>at FVTPL</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>
30 September 2019			
As at 1 January 2019	15,978,783	1,176,528	17,155,311
Remeasurement recognised in OCI	(271,155)	-	(271,154)
Purchases / sales (net)	-	-	-
As at 30 September 2019	<u>15,707,628</u>	<u>1,176,528</u>	<u>16,884,159</u>

	<i>Non-listed equity investments</i>		
	<i>Financial assets</i>	<i>Financial assets</i>	<i>Total</i>
	<i>at FVOCI</i>	<i>at FVTPL</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>
31 December 2018 (Audited)			
As at 1 January 2018 as previously reported (Audited)	-	1,240,720	1,240,720
Reclassifications on adoption of IFRS 9	16,256,025	-	16,256,025
IFRS 9 transition adjustment	(311,410)	-	(311,410)
Remeasurement recognised in OCI	107,284	-	107,284
Remeasurement recognised in profit or loss	-	(64,192)	(64,192)
Purchases / sales (net)	(73,116)	-	(73,116)
As at 31 December 2018	<u>15,978,783</u>	<u>1,176,528</u>	<u>17,155,311</u>

	<i>Non-listed equity investments</i>		
	<i>Financial assets</i>	<i>Financial assets</i>	<i>Total</i>
	<i>at FVOCI</i>	<i>at FVTPL</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>
30 September 2018			
As at 1 January 2018 as previously reported (Audited)	-	1,240,720	1,240,720
Reclassifications on adoption of IFRS 9	16,256,025	-	16,256,025
IFRS 9 transition adjustment	(311,410)	-	(311,410)
Remeasurement recognised in OCI	(467,239)	-	(467,239)
Remeasurement recognised in profit or loss	-	(93,078)	(93,078)
Purchases / sales (net)	-	-	-
As at 30 September 2018	<u>15,477,376</u>	<u>1,147,642</u>	<u>16,625,018</u>

The Company has performed a sensitivity analysis to the range of significant unobservable inputs used in the fair value measurements during the period. Based on such analysis, there is no material impact on the interim condensed financial information.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

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13 DISTRIBUTIONS MADE AND PROPOSED

	<i>For the nine months ended 30 September</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Cash dividends and distributions to the equity holders of the Parent Company		
Dividends on ordinary shares declared and paid:		
Final dividends for 2018: 8 fils per share (2017: 30 fils per share) *	1,231,074	4,616,527
Interim dividends for 2019: 40 fils per share (2018: Nil) **	2,893,020	-
	<u>4,124,094</u>	<u>4,616,527</u>
Distribution of equity reserves ***	<u>10,921,164</u>	<u>-</u>

* The Company's Board of Directors in their meeting held on 18 March 2019 proposed cash dividends of 8 fils per share (aggregating to KD 1,231,074) for the year ended 31 December 2018 through partially utilising the retained earnings and voluntary reserve amounting to KD 1,095,860 and KD 135,214, respectively. This proposal has been approved by the shareholders at the AGM held on 13 May 2019 (2017: 30 fils per share aggregating to KD 4,616,527).

** The Company's Board of Directors in their meeting held on 5 September 2019 proposed cash dividends of 40 fils per share (aggregating to KD 2,893,020) for the half year ending 31 December 2019. This proposal has been approved by the shareholders at the AGM held on 30 September 2019.

*** The Company's Board of Directors in their meeting held on 11 June 2019 proposed distributing equity reserves of KD 10,921,164 through partially utilising the statutory reserve and share premium amounting to KD 1,847,192 and KD 9,073,972, respectively. This proposal has been approved by the shareholders at the AGM held on 28 July 2019.

14 REDUCTION OF SHARE CAPITAL

The Company's Board of Directors in their meeting held on 11 June 2019 proposed the reduction of authorised, issued and paid-up share capital of the Company from KD 15,388,423 to KD 7,232,559 and distributing the reduction amount of KD 8,155,865 to the shareholders pro-rated to their shareholding in the Company. This proposal has been approved by the shareholders at the EGM held on 28 July 2019. The capital reduction was authenticated in the commercial register on 19 August 2019 under registration number 12194.