

KUWAIT FOUNDRY COMPANY K.S.C.P.

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

30 JUNE 2019

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 June 2019, and the related interim condensed statement of profit or loss and the interim condensed statement of comprehensive income for the three-month and six-month periods then ended, and the interim condensed statement of changes in equity and interim condensed statement of cash flows for the six-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 1,491,037 on the interim condensed statement of financial position as at 30 June 2019, and the Company's share of loss of KD 127,327 is included in the interim condensed statement of profit or loss for the period then ended. We were unable to carry out any review procedures about the carrying amount of the Company's investment in the foreign associate as at 30 June 2019 and the Company's share of loss for the period then ended because we were denied access to the financial information, management and the auditors of the foreign associate. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the "Basis for Qualified Conclusion" paragraph of our report, 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.



Building a better
working world

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)

Other Matter

The financial statements of the Company for the year ended 31 December 2018 and the interim condensed financial information for the six-month period ended 30 June 2018, were audited and reviewed, respectively, by another auditor who expressed an unmodified opinion and conclusion on those statements on 18 March 2019 and 5 May 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 Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six-month period ended 30 June 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

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

8 August 2019
Kuwait

Kuwait Foundry Company K.S.C.P.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

	Notes	30 June 2019 KD	(Audited) 31 December 2018 KD	30 June 2018 KD
ASSETS				
Non-current assets				
Property, plant and equipment		327,356	333,818	336,058
Investment in an associate		1,491,037	1,509,945	1,631,531
Financial assets at fair value through other comprehensive income				
Loans and advances	4	15,859,203	33,989,497	32,971,751
		-	1,499,903	1,464,628
		<u>17,677,596</u>	<u>37,333,163</u>	<u>36,403,968</u>
Current assets				
Inventories		2,621,739	2,467,434	2,353,869
Trade and other receivables		591,531	576,617	590,114
Loans and advances	13	1,937,062	300,013	271,558
Financial assets at fair value through profit or loss		1,176,528	1,907,720	1,850,347
Cash and short-term deposits	5	21,698,707	1,713,487	1,355,134
		<u>28,025,567</u>	<u>6,965,271</u>	<u>6,421,022</u>
TOTAL ASSETS		<u><u>45,703,163</u></u>	<u><u>44,298,434</u></u>	<u><u>42,824,990</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	13	15,388,423	15,388,423	15,388,423
Share premium	13	17,100,000	17,100,000	17,100,000
Statutory reserve		5,463,472	5,463,472	5,342,966
Voluntary reserve		76,190	211,404	211,404
Fair value reserve		(162,649)	4,744,249	3,678,468
Foreign currency translation reserve		(1,540,889)	(1,649,307)	(1,644,622)
Retained earnings		7,328,524	1,095,860	1,028,704
TOTAL EQUITY		<u>43,653,071</u>	<u>42,354,101</u>	<u>41,105,343</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		1,080,068	1,098,501	1,075,941
Current liabilities				
Trade and other payables		962,562	520,840	643,706
Bank overdrafts		7,462	324,992	-
		<u>970,024</u>	<u>845,832</u>	<u>643,706</u>
TOTAL LIABILITIES		<u>2,050,092</u>	<u>1,944,333</u>	<u>1,719,647</u>
TOTAL EQUITY AND LIABILITIES		<u><u>45,703,163</u></u>	<u><u>44,298,434</u></u>	<u><u>42,824,990</u></u>

الجم

Ahmad Jassem Al Gumar
Chairman

شركة السبب التمهنية
سجل تجاري 14146

Al Muthana Mohammed Al Maktoum
Chief Executive Officer

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 PROFIT OR LOSS (UNAUDITED)

For the period ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 KD	2018 KD	2019 KD	2018 KD
Revenue from contracts with customers		462,323	530,409	906,590	1,152,306
Cost of sales		(290,914)	(272,054)	(557,411)	(573,654)
GROSS PROFIT		171,409	258,355	349,179	578,658
Other operating income		102,912	20,143	104,209	21,460
Interest income		723	5,395	10,723	8,856
Selling and marketing expenses		(15,282)	(14,152)	(27,501)	(25,708)
General and administrative expenses		(218,847)	(180,573)	(331,777)	(365,089)
OPERATING PROFIT		40,915	89,168	104,833	217,971
Share of results of an associate		(70,094)	(49,576)	(127,327)	(88,117)
Net investment income	6	347,229	475,458	861,795	863,554
PROFIT BEFORE TAX		318,050	515,050	839,301	993,408
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(2,863)	(4,635)	(7,554)	(8,940)
National Labour Support Tax ("NLST")		(169,726)	(8,110)	(175,632)	(16,087)
Zakat		(66,241)	(2,146)	(67,963)	(3,508)
PROFIT FOR THE PERIOD		79,220	500,159	588,152	964,873
BASIC AND DILUTED EARNINGS PER SHARE	7	0.52 fils	3.25 fils	3.82 fils	6.27 fils

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 COMPREHENSIVE INCOME

(UNAUDITED)

For the period ended 30 June 2019

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</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	79,220	500,159	588,152	964,873
Other comprehensive (loss) income				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	50,094	11,251	108,418	11,251
<i>Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods:</i>				
Net (loss) gain on equity instruments designated at fair value through other comprehensive income	(206,950)	(546,973)	1,833,474	322,240
Total other comprehensive (loss) income for the period	(156,856)	(535,722)	1,941,892	333,491
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(77,636)	(35,563)	2,530,044	1,298,364

Kuwait Foundry Company K.S.C.P.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 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	-	-	-	-	-	-	588,152	588,152
Other comprehensive income	-	-	-	-	1,833,474	108,418	-	1,941,892
Total comprehensive income	-	-	-	-	1,833,474	108,418	588,152	2,530,044
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	(6,740,372)	-	6,740,372	-
Cash dividends (Note 12)	-	-	-	(135,214)	-	-	(1,095,860)	(1,231,074)
At 30 June 2019	15,388,423	17,100,000	5,463,472	76,190	(162,649)	(1,540,889)	7,328,524	43,653,071
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
Transition adjustment on initial application of IFRS 9 at 1 January 2018	-	-	-	-	(311,410)	-	(45,844)	(375,254)
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	-	-	-	-	-	-	964,873	964,873
Other comprehensive income	-	-	-	-	212,565	11,251	-	333,491
Total comprehensive income	-	-	-	-	212,565	11,251	964,873	1,298,364
Cash dividends (Note 12)	-	-	-	(64,059)	-	-	(4,552,468)	(4,616,527)
Gain on disposal of equity investments at FVOCI	-	-	-	-	-	-	109,675	-
At 30 June 2018	15,388,423	17,100,000	5,342,966	211,404	3,678,468	(1,644,622)	1,028,704	41,105,343

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 June 2019

	Notes	Six months ended	
		30 June	
		2019	2018
		KD	KD
OPERATING ACTIVITIES			
Profit before tax		839,301	993,408
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation of property, plant and equipment		35,311	13,539
Net investment income	6	(861,795)	(863,554)
Provision for employees' end of service benefits		17,536	24,480
Allowance for expected credit losses on trade receivables		-	56,119
Share of results of an associate		127,327	88,117
Interest income		(10,723)	(8,656)
Provision for taxation		251,149	28,535
		<u>398,106</u>	<u>331,988</u>
<i>Working capital adjustments:</i>			
Inventories		(154,304)	2,925
Trade and other receivables, loans and advances		(50,063)	108,931
Trade and other payables		596,788	(550,268)
Bank overdrafts		(317,530)	324,992
		<u>472,997</u>	<u>218,568</u>
Cash flows from operations		(35,969)	(11,170)
Employees' end of service benefits paid			
Net cash flows from operating activities		<u>437,028</u>	<u>207,398</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(28,849)	(15,601)
Proceeds from disposal of property, plant and equipment		-	182,791
Purchase of investment securities		-	(968,107)
Proceeds from disposal of investment securities		19,814,351	-
Dividend income received	6	824,490	956,632
Interest income received		10,723	8,656
		<u>20,620,715</u>	<u>164,371</u>
Net cash flows from investing activities			
FINANCING ACTIVITIES			
Dividends paid		(1,072,523)	(4,491,893)
Net cash flows used in financing activities		<u>(1,072,523)</u>	<u>(4,491,893)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as at the 1 January		19,985,220	(4,120,124)
		1,713,487	5,475,258
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	<u>21,698,707</u>	<u>1,355,134</u>

The attached notes 1 to 13 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 June 2019

1 CORPORATE INFORMATION

The interim condensed financial information of Kuwait Foundry Company K.S.C.P. (the "Company") for the six months ended 30 June 2019 was authorised for issue in accordance with a resolution of the Company's Board of Directors on 8 August 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 six months ended 30 June 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 June 2019

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
Quoted securities	-	18,010,714	17,100,467
Unquoted securities	15,859,203	15,978,783	15,871,284
	<u>15,859,203</u>	<u>33,989,497</u>	<u>32,971,751</u>

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 11.

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 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
Cash in hand	3,878	-	-
Cash at banks	1,179,940	1,000,065	1,201,677
Cash held in managed portfolios	14,889	410,122	145,141
Short-term deposits	20,500,000	303,300	-
Total cash and short-term deposits	<u>21,698,707</u>	<u>1,713,487</u>	<u>1,355,134</u>
Bank overdrafts	(7,462)	(324,992)	-
Total cash and cash equivalents	<u>21,691,245</u>	<u>1,388,495</u>	<u>1,355,134</u>

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 June 2019 (31 December 2018: 1.625% to 2.5% and 30 June 2018: 2.5%) per annum.

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

6 NET INVESTMENT INCOME

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Dividend income	347,229	475,458	824,490	956,632
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	-
	<u>347,229</u>	<u>475,458</u>	<u>861,795</u>	<u>863,554</u>

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

7 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>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Net profit for the period (KD)	79,220	500,159	588,152	964,873
Weighted average number of ordinary shares (Share)	153,884,230	153,884,230	153,884,230	153,884,230
Basic and diluted EPS (fils)	0.52	3.25	3.82	6.27

There have been on transactions involving ordinary shares between the reporting date and the date of authorization of this interim condensed financial information which would requirement the restatement of earnings per share.

8 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.

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

		<i>Major shareholder</i>	<i>Six months ended 30 June</i>	
			<i>2019</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Statement of profit or loss:</i>				
Revenue from contracts with customers		5,195	5,195	18,650
			<i>(Audited)</i>	
	<i>Associates</i>	<i>Other related parties</i>	<i>30 June</i>	<i>31 December</i>
	<i>KD</i>	<i>KD</i>	<i>2019</i>	<i>2018</i>
			<i>KD</i>	<i>KD</i>
<i>Statement of financial position:</i>				
Loans and advances	300,052	1,535,011	1,835,063	1,799,916
				1,937,920

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 period ended 30 June 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.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

8 RELATED PARTY DISCLOSURES (continued)

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>Six months ended</i>	
	<i>30 June 2019 KD</i>	<i>30 June 2018 KD</i>	<i>30 June 2019 KD</i>	<i>30 June 2018 KD</i>
Salaries and other short-term benefits	147,991	138,691	208,376	189,585
End of service benefits	9,290	9,290	18,579	18,579
	<u>157,281</u>	<u>147,981</u>	<u>226,955</u>	<u>208,164</u>

9 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 six months ended 30 June 2019 and 2018, respectively:

<i>30 June 2019</i>	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Revenue	906,590	734,468	12,933	1,653,991
Costs and expenses	(557,411)	-	(606,938)	(1,164,349)
Segment profit	<u>349,179</u>	<u>734,468</u>	<u>(594,005)</u>	<u>489,642</u>
 <i>30 June 2018</i>	 <i>Manufacturing KD</i>	 <i>Investment KD</i>	 <i>Unallocated KD</i>	 <i>Total KD</i>
Revenue	444,267	457,333	11,297	912,897
Costs and expenses	(278,716)	-	(125,249)	(403,965)
Segment profit	<u>165,551</u>	<u>457,333</u>	<u>(113,952)</u>	<u>508,932</u>

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

9 SEGMENT INFORMATION (continued)

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

	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Assets				
30 June 2019	3,148,898	42,162,539	391,727	45,703,163
31 December 2018 (Audited)	2,968,419	39,906,660	1,423,355	44,298,434
30 June 2018	2,832,582	38,334,958	1,657,450	42,824,990
	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Liabilities				
30 June 2019	259,663	7,462	1,782,967	2,050,092
31 December 2018 (Audited)	328,897	324,992	1,290,445	1,944,333
30 June 2018	244,007	-	1,475,640	1,719,647

10 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2019 KD</i>	<i>(Audited) 31 December 2018 KD</i>	<i>30 June 2018 KD</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	395,636

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

11 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 June 2019, 31 December 2018 and 30 June 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 June 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	-	-	15,859,203	15,859,203
Investment securities (at fair value)	-	-	17,035,731	17,035,731

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

12 DISTRIBUTIONS MADE AND PROPOSED

- ▶ 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. This proposal has been approved by the shareholders at the AGM held on 13 May 2019.
- ▶ The Company's Board of Directors in their meeting held on 14 March 2018 proposed cash dividends of 30 fils per share (aggregating to KD 4,616,527) for the year ended 31 December 2017. This proposal has been approved by the shareholders at the AGM held on 8 May 2018.

13 SUBSEQUENT EVENTS

Extraordinary general assembly (EGM)

Subsequent to the reporting date and pursuant to the EGM held on 28 July 2019 the shareholders of the Company resolved the following:

- ▶ Reducing the 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.
- ▶ 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.
- ▶ Amending the Company's articles and memorandum of association to allow the distribution of interim dividends to shareholders in accordance with a resolution of the board of directors.

The legal proceedings related to the above resolutions are still in progress as at the date of authorisation of this interim condensed financial information.

Loan advanced to Foulath Holding BSC ("Foulath")

On 1 July 2019, the loan advanced to Foulath carried at KD 1,787,700 as at 30 June 2019 was recovered entirely. The resultant gain from this transaction amounted to KD 1,830,423 which will be recorded in the subsequent reporting period.