

KUWAIT FOUNDRY COMPANY K.S.C.P.

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

30 SEPTEMBER 2020



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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 2020, 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

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 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 financial information is not prepared, in all material respects, in accordance with IAS 34.

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, 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 2020 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2020 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

12 November 2020
Kuwait

Kuwait Foundry Company K.S.C.P.

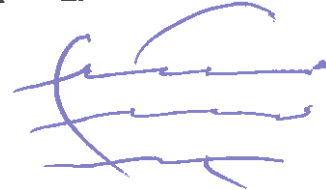
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

	Notes	30 September 2020 KD	(Audited) 31 December 2019 KD	30 September 2019 KD
ASSETS				
Non-current assets				
Property, plant and equipment		311,036	321,020	325,409
Investment in an associate	3	-	1,358,508	1,429,436
Financial assets at fair value through other comprehensive income	4	14,320,403	15,294,219	15,707,628
		<u>14,631,439</u>	<u>16,973,747</u>	<u>17,462,473</u>
Current assets				
Inventories		2,373,313	2,377,089	2,560,500
Trade and other receivables		164,963	233,510	233,482
Loans and advances		-	299,952	300,952
Financial assets at fair value through profit or loss		2,000,000	1,176,528	1,176,528
Cash and cash equivalents	5	1,042,148	2,299,991	6,058,665
		<u>5,580,424</u>	<u>6,387,070</u>	<u>10,330,127</u>
TOTAL ASSETS		<u>20,211,863</u>	<u>23,360,817</u>	<u>27,792,600</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		7,232,559	7,232,559	7,232,559
Share premium		8,026,028	8,026,028	8,026,028
Statutory reserve		3,616,280	3,616,280	3,616,280
Voluntary reserve		76,190	76,190	76,190
Fair value reserve		(1,500,888)	(576,058)	(162,649)
Foreign currency translation reserve		(1,418,868)	(1,512,066)	(1,499,623)
Retained earnings		2,977,145	4,743,612	4,594,467
		<u>19,008,446</u>	<u>21,606,545</u>	<u>21,883,252</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		263,338	279,220	430,618
Current liabilities				
Trade and other payables	6	940,079	1,475,052	5,478,730
Total liabilities		<u>1,203,417</u>	<u>1,754,272</u>	<u>5,909,348</u>
TOTAL EQUITY AND LIABILITIES		<u>20,211,863</u>	<u>23,360,817</u>	<u>27,792,600</u>



Ahmad Jassem Al Gumar
Chairman



Al Muthana Mohammed Al Maktoum
Chief Executive Officer

The attached notes 1 to 16 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 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 KD	2019 KD	2020 KD	2019 KD
Revenue from contracts with customers		285,662	465,065	973,197	1,371,655
Cost of sales		(155,851)	(283,367)	(583,927)	(840,778)
GROSS PROFIT		129,811	181,698	389,270	530,877
Other operating income		3,018	573	15,040	104,782
Interest income		955	189,433	4,125	200,156
Selling and marketing expenses		(7,206)	(12,202)	(23,319)	(39,703)
General and administrative expenses		(44,592)	(215,495)	(135,969)	(547,272)
OPERATING PROFIT		81,986	144,007	249,147	248,840
Share of results of an associate		-	(102,866)	-	(230,193)
Impairment loss on investment in an associate	3	(2,010,793)	-	(2,064,208)	-
Net investment income	7	1,004,697	100,000	1,059,995	961,795
(LOSS) PROFIT BEFORE TAX		(924,110)	141,141	(755,066)	980,442
Reversal of (allowance for) contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		1,521	(1,270)	-	(8,824)
Reversal of (allowance for) National Labour Support Tax ("NLST")		3,805	12,674	-	(162,958)
Reversal of (allowance for) Zakat		1,362	5,070	-	(62,893)
(LOSS) PROFIT FOR THE PERIOD		(917,422)	157,615	(755,066)	745,767
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE	8	(11.61) fils	1.73 fils	(9.56) fils	8.20 fils

The attached notes 1 to 16 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 2020

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
(LOSS) PROFIT FOR THE PERIOD	(917,422)	157,615	(755,066)	745,767
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	71,273	41,266	93,198	149,684
<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	(137,065)	-	(851,348)	1,833,474
Total other comprehensive (loss) income for the period	(65,792)	41,266	(758,150)	1,983,158
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(983,214)	198,881	(1,513,216)	2,728,925

The attached notes 1 to 16 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 2020

	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 2020 (Audited)	7,232,559	8,026,028	3,616,280	76,190	(576,058)	(1,512,066)	4,743,612	21,606,545
Profit for the period	-	-	-	-	-	-	(755,066)	(755,066)
Other comprehensive loss (income)	-	-	-	-	(851,348)	93,198	-	(758,150)
Total comprehensive loss (income)	-	-	-	-	(851,348)	93,198	(755,066)	(1,513,216)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	-	-	(73,482)	-	73,482	-
Cash dividends (Note 13)	-	-	-	-	-	-	(1,084,883)	(1,084,883)
At 30 September 2020	7,232,559	8,026,028	3,616,280	76,190	(1,500,888)	(1,418,868)	2,977,145	19,008,446
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 of equity instruments designated at FVOCI	-	-	-	-	(6,740,372)	-	6,740,372	-
Gain on disposal of equity instruments designated 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

The attached notes 1 to 16 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 2020

	Notes	Nine months ended	
		30 September	
		2020	2019
		KD	KD
OPERATING ACTIVITIES			
(Loss) profit before tax		(755,066)	980,442
<i>Non-cash adjustments to reconcile (loss) profit before tax to net cash flows:</i>			
Depreciation of property, plant and equipment		20,537	20,926
Impairment loss on investment in an associate	3	2,064,208	-
Changes in fair value of financial assets at fair value through profit or loss	7	(1,039,250)	(1,451)
Dividend income	7	(20,745)	(924,490)
Provision for employees' end of service benefits		11,880	19,925
Gain on sale of financial assets at fair value through profit or loss	7	-	(35,854)
(Reversal of) allowance for expected credit losses		(3,098)	34,661
Share of results of an associate		-	230,193
Interest income		(4,125)	(200,156)
		<u>274,341</u>	<u>124,196</u>
<i>Working capital adjustments:</i>			
Inventories		3,776	(93,066)
Trade and other receivables		368,171	1,807,032
Trade and other payables		(381,437)	13,051
		<u>264,851</u>	<u>1,851,213</u>
Cash flows (used in) from operations		(27,762)	(687,808)
Employees' end of service benefits paid		(230,205)	(23,822)
Taxes paid		3,426	-
Receipt of government grants	15		
		<u>10,310</u>	<u>1,139,583</u>
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(10,553)	(12,517)
Proceeds from disposal of financial assets at fair value through profit or loss		215,778	20,885,188
Loans advanced to an associate	3	(612,502)	-
Proceeds from capital redemption of financial assets at FVOCI		122,468	-
Dividend income received	7	20,745	924,490
Interest income received		4,125	200,156
		<u>(259,939)</u>	<u>21,997,317</u>
Net cash flows (used in) from investing activities			
FINANCING ACTIVITIES			
Cash dividends paid	13	(1,008,214)	(1,176,950)
Distribution of equity reserves	13	-	(9,925,839)
Payments to equity holders on reduction of share capital	14	-	(7,363,941)
		<u>(1,008,214)</u>	<u>(18,466,730)</u>
Net cash flows used in financing activities			
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as at the 1 January		2,299,991	1,388,495
		<u>1,042,148</u>	<u>6,058,665</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5		

The attached notes 1 to 16 form part of this interim condensed financial information.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

As at and for the period ended 30 September 2020

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 2020 was authorised for issue in accordance with a resolution of the Company's Board of Directors on 12 November 2020.

The financial statements of the Company for the year ended 31 December 2019 were approved in the annual general assembly meeting (AGM) of the shareholders held on 6 May 2020. Dividends declared and paid by the Company for the year then ended are provided in Note 13.

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 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 investment portfolios.

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 2020 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 2019.

2.2 Summary of accounting policies for new transactions and events

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.3 New and amended standards and interpretations

The accounting policies and method of computation 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 2019, except for the adoption of new standards effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial information of the Company.

Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 clarifies 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. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed financial information of the Company but may impact future periods should the Company enter into any business combinations.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

As at and for the period ended 30 September 2020

**2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES
(continued)**

2.3 New and amended standards and interpretations (continued)

Amendments to IAS 1 and IAS 8: *Definition of Material*

The amendments provide a new definition of material that states "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."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed financial information of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed financial information of the Company.

Amendments to IFRS 16 *COVID-19 Related Rent Concessions*

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the interim condensed financial information of the Company.

Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

The amendments to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the interim condensed financial information of the Company as it does not have any interest rate hedge relationships.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

As at and for the period ended 30 September 2020

3 INVESTMENT IN AN ASSOCIATE

The Company has 50% interest in Egyptian Kuwaiti Foundry Company S.A.E (“EKF”), an associate involved in the casting and moulding of iron products. The Group’s interest in the associate is accounted for using the equity method. The above associate is a private entity that is not listed on any stock exchange; therefore, no quoted market prices are available for its shares.

A reconciliation of the above summarised financial information to the carrying amount of the associate is set out below:

	30 September	<i>(Audited)</i>	30 September
	2020	31 December	2019
	KD	KD	KD
Opening balance	1,358,508	1,509,945	1,509,945
Loan capitalised (Note 9)	612,502	-	-
Foreign currency translation adjustments	93,198	137,241	149,684
Share of loss	-	(288,678)	(230,193)
Impairment loss	(2,064,208)	-	-
Company’s carrying amount of investment in an associate	-	1,358,508	1,429,436

Impairment assessment of the associate

Given the substantial economic downturn that is predicted from the immediate impacts of the COVID-19 pandemic, management determined based on the current market conditions and near-term prospects of the associate that the Company’s investment in EKF is impaired, and accordingly, the Company recorded a full impairment for the remaining carrying value of the investment in the associate.

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September	<i>(Audited)</i>	30 September
	2020	31 December	2019
	KD	KD	KD
Unquoted securities	14,320,403	15,294,219	15,707,628

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:

	30 September	<i>(Audited)</i>	30 September
	2020	31 December	2019
	KD	KD	KD
Cash in hand	2,881	-	4,112
Cash at banks	1,039,267	2,299,991	2,844,021
Cash held in managed portfolios	-	-	3,500
Short-term deposits	-	-	3,207,032
Total cash and cash equivalents	1,042,148	2,299,991	6,058,665

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

5 CASH AND CASH EQUIVALENTS (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

At 30 September 2020, the Company had available KD 750,000 (31 December 2019: KD 750,000 and 30 September 2019: KD 750,000) of undrawn committed overdraft facilities.

6 TRADE AND OTHER PAYABLES

	<i>30 September</i> 2020 <i>KD</i>	<i>(Audited)</i> <i>31 December</i> 2019 <i>KD</i>	<i>30 September</i> 2019 <i>KD</i>
Trade payables	22,133	23,872	30,957
Advances from customers	106,531	137,619	110,603
Accrued expenses	12,534	50,383	30,283
Board of Directors' remuneration payable	-	30,000	-
KFAS payable	72,886	72,886	70,596
Zakat payable	1,019	65,157	63,922
NLST payable	35,803	201,871	165,530
Dividends and distributions payable	628,381	855,827	4,869,785
Other payables	60,792	37,437	137,054
	<u>940,079</u>	<u>1,475,052</u>	<u>5,478,730</u>

7 NET INVESTMENT INCOME

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Dividend income	4,697	100,000	20,745	924,490
Changes in fair value of financial assets at fair value through profit or loss	1,000,000	-	1,039,250	1,451
Gain on sale of financial assets at fair value through profit or loss	-	-	-	35,854
	<u>1,004,697</u>	<u>100,000</u>	<u>1,059,995</u>	<u>961,795</u>

8 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the (loss) profit for the period by the weighted average number of shares outstanding during the period (excluding treasury shares). Diluted EPS is calculated by dividing the (loss) 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.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

8 EARNINGS PER SHARE (EPS) (continued)

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Net (loss) profit for the period (KD)	(917,422)	157,615	(755,066)	745,767
Weighted average number of ordinary shares	79,015,045	90,933,524	79,015,045	90,933,524
Basic and diluted EPS (fils)	(11.61)	1.73	(9.56)	8.20

In accordance with International Accounting Standard 33 'Earnings Per Share' ("IAS 33"), the prior year comparative information has been restated as a result of the reduction in share capital. EPS for the three-month and nine-month periods ended 30 September 2019 was 1.36 fils and 5.28 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.

The following table provides the total amount of transactions that have been entered with related parties during the nine months 30 September 2020 and 2019, as well as, balances with related parties as at 30 September 2020, 31 December 2019 and 30 September 2019:

	<i>Major shareholder</i> <i>KD</i>	<i>Nine months ended 30 September</i>		
		<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>	
Statement of profit or loss:				
Revenue from contracts with customers	15,341	15,341	23,837	
<i>(Audited)</i>				
	<i>Other related</i> <i>parties</i> <i>KD</i>	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Statement of financial position:				
Loans and advances	-	-	299,952	300,952

Loans and advances

On 6 August 2017, the Company entered into an agreement with other investors to finance the associate an amount of USD 4,000,000 relating to trade purchase and working capital commitments by the associate, for which the Company's share of the loan is USD 2,000,000.

In 2017, the Company granted the associate an amount of USD 1,000,000. On 16 February 2020, the Company advanced the remaining balance of USD 1,000,000.

During the period ended 30 September 2020, the Company forgave the debt to the associate. As a result, the forgiveness of debt is treated as an equity contribution in the associate (Note 3) and the previously recognised allowance for expected credit losses of KD 3,098 relating to the amounts owed by the associate has been reversed.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

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9 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>Nine months ended</i>	
	<i>30 September 2020 KD</i>	<i>30 September 2019 KD</i>	<i>30 September 2020 KD</i>	<i>30 September 2019 KD</i>
Salaries and other short-term benefits	14,904	145,504	63,270	353,880
End of service benefits	861	14,561	2,463	33,140
	<u>15,765</u>	<u>160,065</u>	<u>65,733</u>	<u>387,020</u>
			<i>Balance outstanding as at 30 September</i>	
			<i>2020 KD</i>	<i>2019 KD</i>
Post-employment benefits			46,893	217,692
			<u>46,893</u>	<u>217,692</u>

The Board of Directors at the meeting held on 29 March 2020 proposed directors' remuneration of KD 30,000 for the year ended 31 December 2019. The remuneration was approved by the shareholders at the AGM held on 6 May 2020.

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 2020 and 2019, respectively:

	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Period ended 30 September 2020</i>				
Revenue	973,197	724,114	15,040	1,712,351
Segment profit (loss)	365,951	(1,000,089)	(120,928)	(755,066)
Depreciation of property and equipment	(19,457)	-	(1,080)	(20,537)
Impairment loss on investment in an associate	-	(2,064,208)	-	(2,064,208)

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

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10 SEGMENT INFORMATION (continued)

	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Period ended 30 September 2019</i>				
Revenue	1,371,655	1,161,951	104,782	2,638,388
Segment profit (loss)	530,877	931,758	(716,868)	745,767
Depreciation of property and equipment	(19,891)	-	(1,035)	(20,926)
Share of results of an associate	-	(230,193)	-	(230,193)

The following table presents assets and liabilities information for the Company's operating segments as at 30 September 2020, 31 December 2019 and 30 September 2019, respectively:

	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>As at 30 September 2020</i>				
Total assets	2,776,523	16,320,403	1,114,937	20,211,863
Total liabilities	189,454	-	1,013,963	1,203,417
<i>As at 31 December 2019 (Audited)</i>				
Total assets	2,871,654	18,129,207	2,359,956	23,360,817
Total liabilities	198,928	-	1,555,344	1,754,272
Other disclosures: Investment in an associate	-	1,358,508	-	1,358,508
<i>As at 30 September 2019</i>				
Total assets	3,017,535	24,673,210	101,855	27,792,600
Total liabilities	171,843	-	5,737,505	5,909,348
Other disclosures: Investment in an associate	-	1,429,436	-	1,429,436

11 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 September 2019 KD</i>
Contingent liabilities			
Guarantees to an unrelated party	22,150	22,150	22,150

The Company had no capital commitments as at the reporting date.

Kuwait Foundry Company K.S.C.P.

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As at and for the period ended 30 September 2020

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 2020, 31 December 2019 and 30 September 2019:

	<i>Fair value measurement using</i>			<i>Total</i> <i>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>	
30 September 2020				
Assets measured at fair value:				
<i>Financial assets at FVTPL:</i>				
Unquoted equity securities	-	-	2,000,000	2,000,000
	-	-	2,000,000	2,000,000
<i>Financial assets at FVOCI:</i>				
Unquoted equity securities	-	-	14,320,403	14,320,403
	-	-	14,320,403	14,320,403
Investment securities (at fair value)	-	-	16,320,403	16,320,403

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12 FAIR VALUE MEASUREMENT (continued)

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD	
<i>31 December 2019</i>				
Assets measured at fair value:				
<i>Financial assets at FVTPL:</i>				
Unquoted equity securities	-	-	1,176,528	1,176,528
	-	-	1,176,528	1,176,528
<i>Financial assets at FVOCI:</i>				
Unquoted equity securities	-	-	15,294,219	15,294,219
	-	-	15,294,219	15,294,219
Investment securities (at fair value)	-	-	16,470,747	16,470,747

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD	
<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

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the nine months ended 30 September 2020.

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

	Non-listed equity investments		
	Financial assets at FVOCI KD	Financial assets at FVTPL KD	Total KD
<i>30 September 2020</i>			
As at 1 January 2020	15,294,219	1,176,528	16,470,747
Remeasurement recognised in OCI	(851,348)	-	(851,348)
Remeasurement recognised in profit or loss	-	1,039,250	1,039,250
Purchases / sales (net)	-	(215,778)	(215,778)
Capital redemption	(122,468)	-	(122,468)
As at 30 September 2020	14,320,403	2,000,000	16,320,403

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12 FAIR VALUE MEASUREMENT (continued)

<i>31 December 2019 (Audited)</i>	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVTPL KD</i>	<i>Total KD</i>
As at 1 January 2019	15,978,783	1,176,528	17,155,311
Remeasurement recognised in OCI	(684,564)	-	(684,564)
As at 31 December 2019	<u>15,294,219</u>	<u>1,176,528</u>	<u>16,470,747</u>

<i>30 September 2019</i>	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVTPL KD</i>	<i>Total KD</i>
As at 1 January 2019	15,978,783	1,176,528	17,155,311
Remeasurement recognised in OCI	(271,155)	-	(271,155)
As at 30 September 2019	<u>15,707,628</u>	<u>1,176,528</u>	<u>16,884,156</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.

Description of significant unobservable inputs to valuation of financial assets:

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Range (weighted average)</i>	<i>Sensitivity of the input to fair value</i>
<i>FVOCI</i>				
Unquoted securities	Market multiple approach	Sector PBV multiple	0.89 - 0.95 (0.92)	10% increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD 338,786
		DLOM	25% - 40%	10% increase / (decrease) in the DLOM would result in an (decrease) / increase in fair value by KD 1,319,262

* Discount for lack of marketability ("DLOM") represents the amounts that the Company has determined that market participants would take into account when pricing the investments.

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

13 DISTRIBUTIONS MADE AND PROPOSED

	<i>For the nine months ended 30 September</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Cash dividends and distributions to the equity holders of the Company		
Dividends on ordinary shares declared and paid:		
Final dividends for 2019: 15 fils per share (2018: 8 fils per share) *	1,084,883	1,231,074
Interim dividends for 2019: 40 fils per share **	-	2,893,020
	<u>1,084,883</u>	<u>4,124,094</u>
Distribution of equity reserves ***	<u>-</u>	<u>10,921,164</u>

* The Board of Directors in their meeting held on 29 March 2020, proposed a cash dividend of 15% (2018: 8%) of the paid-up share capital (15 fils per share aggregating to KD 1,084,883) for the year ended 31 December 2019 (2018: 8 fils per share aggregating to KD 1,231,074). The proposed dividend for the year ended 31 December 2019 has been approved by the shareholders at the AGM held on 6 May 2020.

** 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 8,155,864 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.

15 GOVERNMENT GRANT

In an attempt to mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the period, the Company has received financial support amounting to KD 3,426, which is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and is recognised in the statement of profit or loss within 'other income'.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
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As at and for the period ended 30 September 2020

16 IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Company's business in various significant ways.

The currently known impact of COVID-19 on the Company are:

- ▮ Sales volume for the quarter down by 29% year-over-year as a result of lower trading activity, primarily driven by the impacts from COVID-19, such as state-imposed production downtimes and construction stoppages on major infrastructure projects.
- ▮ Gross profit of KD 389,270 for the quarter, down 27% year-over-year.
- ▮ Decline in fair value of unquoted equity securities designated at FVOCI during the nine-month period ended 30 September 2020 by KD 851,348.
- ▮ Impairment of investment in an associate of KD 2,064,208.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer-term impact on the Company's business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the Company's liquidity.

The Company anticipates that in individual core markets, construction activities are likely to benefit in the medium term from infrastructure and other economic stimulus programmes launched by the government.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Company may experience further negative results, liquidity restraints and incur additional impairments on its assets in 2020. Given the ongoing economic uncertainty, the exact impact on the Company's activities in the remainder of 2020 and thereafter cannot be predicted at this stage.

This note describes the impact of the outbreak on the Company's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 September 2020.

16.1 Risk management

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 30 September 2020, there were no significant changes to the risk management objectives and policies as compared to the audited financial statements as at 31 December 2019.

16.1.1 Credit risk

The Company has concluded that it is not significantly exposed to credit risk as a result of the outbreak as the management determined that the impairment loss was immaterial as cash and short-term deposits are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies. As for trade receivables, there were no significant changes to the credit risk objectives and policies as compared to audited financial statements of 31 December 2019. The outstanding receivables are monitored on an ongoing basis. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Company limits its exposure to credit risk from trade receivables by obtaining letters of credit and other forms of credit insurance are considered which are an integral part of trade receivables. The maximum risk position from trade receivables corresponds to the carrying amount.

Refer to Note 16.2 for the estimates and assumptions used by the Company to determine ECL on its trade receivables and contract assets.

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As at and for the period ended 30 September 2020

16 IMPACT OF COVID-19 (continued)

16.1 Risk management (continued)

16.1.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's liquidity management plans involve the following:

- ▶ Day to day funding is managed by monitoring future cash flows to ensure that working capital requirements can be met. This includes replenishment of funds as they mature.
- ▶ Maintaining rolling forecasts of the Group's overall liquidity position on the basis of expected cash flows.
- ▶ Monitoring liquidity ratios and net current assets against internal standards.
- ▶ The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. The Group has access to a sufficient variety of sources of funding and maintains the following lines of credit.
 - KD 750,000 undrawn facility that is unsecured and can be drawn down to meet short-term financing needs. The facility has a one-year maturity and renewable at the discretion of the Company. Interest would be payable at a rate of CBK discount rate plus 1.5% basis points.

The Company expects a significantly adverse impact on its liquidity due to COVID-19 outbreak. Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure. Further, the Company aims to maintain the level of its cash and short-term deposits at an amount in excess of expected cash outflows on financial liabilities.

16.2 Use of estimates and assumptions

The Company based its assumptions and estimates on parameters available when the interim condensed financial information is prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in stock prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Company.

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets in the next reporting period is described below:

Fair value measurement of investment securities

The Company has considered potential impacts of the current market volatility in determination of the reported amounts of the Company's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Company is closely monitoring whether the fair values of its investment securities represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the Company's policy in relation to fair value measurements is disclosed in Notes 2.4.10 to the annual financial statements as at and for the year ended 31 December 2019.

Property, plant and equipment (PP&E) and investment in an associate (non-financial assets)

As at the reporting date, the Company has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Company's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

As the situation continues to unfold, the Company will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

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16 IMPACT OF COVID-19 (continued)

16.2 Use of estimates and assumptions (continued)

Trade receivables (continued)

The Company uses the simplified model in calculation the ECL for trade receivables that do not contain a significant financing component by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments). The Company identifies the expected real growth of the construction industry in which the Company operates and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Company will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

16.3 Going concern

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, the interim condensed financial information has been appropriately prepared on a going concern basis.