

KUWAIT FOUNDRY COMPANY K.S.C.P.

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

31 MARCH 2020



Ernst & Young
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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 31 March 2020, and the related interim condensed statement of profit or loss, interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the three-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 did not adjust the carrying amount of its investment in Egyptian Kuwaiti Foundry Company S.A.E., a foreign associate carried at KD 1,358,508 on the interim condensed statement of financial position as at 31 March 2020, to recognise changes in the Company's share of net assets of the associate for the three-month period then ended as no financial information was made available for the foreign associate. Consequently, we were unable to determine whether any adjustments to these amounts were necessary to the Company's financial statements as at and for the three-month period then ended 31 March 2020.

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.

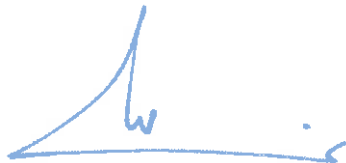
INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT FOUNDRY COMPANY – K.S.C.P. (continued)

Other Matter

The interim condensed financial information for the three-month period ended 31 March 2019, were reviewed by another auditor who expressed a modified conclusion on those statements on 5 May 2019 for the same matter above.

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 three-month period ended 31 March 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


13 August 2020
Kuwait


Kuwait Foundry Company K.S.C.P.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2020

	Notes	31 March 2020 KD	(Audited) 31 December 2019 KD	31 March 2019 KD
ASSETS				
Non-current assets				
Property, plant and equipment		318,252	321,020	331,342
Right-of-use assets		-	-	109,116
Investment in an associate		1,358,508	1,358,508	1,511,036
Financial assets at fair value through other comprehensive income	3	15,089,996	15,294,219	36,029,920
Loans and advances		-	-	1,540,681
		<u>16,766,756</u>	<u>16,973,747</u>	<u>39,522,095</u>
Current assets				
Inventories		2,308,883	2,377,089	2,524,374
Trade and other receivables		221,442	233,510	708,984
Loans and advances		603,002	299,952	301,102
Financial assets at fair value through profit or loss		1,176,528	1,176,528	1,909,173
Cash and cash equivalents	4	2,131,300	2,299,991	1,732,689
		<u>6,441,155</u>	<u>6,387,070</u>	<u>7,176,322</u>
TOTAL ASSETS		<u>23,207,911</u>	<u>23,360,817</u>	<u>46,698,417</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		7,232,559	7,232,559	15,388,423
Share premium		8,026,028	8,026,028	17,100,000
Statutory reserve		3,616,280	3,616,280	5,463,472
Voluntary reserve		76,190	76,190	211,404
Fair value reserve		(780,281)	(576,058)	6,784,673
Foreign currency translation reserve		(1,512,066)	(1,512,066)	(1,590,983)
Retained earnings		4,863,205	4,743,612	1,604,792
		<u>21,521,915</u>	<u>21,606,545</u>	<u>44,961,781</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		274,791	279,220	1,103,031
Current liabilities				
Trade and other payables	5	1,411,205	1,475,052	566,941
Lease liabilities		-	-	66,664
		<u>1,411,205</u>	<u>1,475,052</u>	<u>633,605</u>
Total liabilities		<u>1,685,996</u>	<u>1,754,272</u>	<u>1,736,636</u>
TOTAL EQUITY AND LIABILITIES		<u>23,207,911</u>	<u>23,360,817</u>	<u>46,698,417</u>


Ahmad Jassem Al Gumar
 Chairman


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 31 March 2020

	<i>Notes</i>	<i>Three months ended</i>	
		<i>31 March</i>	
		2020	2019
		KD	KD
Revenue from contracts with customers		468,765	444,267
Cost of sales		(306,720)	(266,497)
GROSS PROFIT		162,045	177,770
Other income		194	11,297
Interest income		1,642	-
Selling and marketing expenses		(8,940)	(12,219)
General and administrative expenses		(46,222)	(112,930)
OPERATING PROFIT		108,719	63,918
Share of results of an associate		-	(57,233)
Net investment income	6	16,048	514,566
PROFIT BEFORE TAX		124,767	521,251
Contribution to Kuwait Foundation for the advancement of Sciences ("KFAS")		(1,123)	(4,691)
National Labour Support Tax ("NLST")		(3,008)	(5,906)
Zakat		(1,043)	(1,722)
PROFIT FOR THE PERIOD		119,593	508,932
BASIC AND DILUTED EARNINGS PER SHARE	7	1.46 Fils	5.60 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 31 March 2020

	<i>Three months ended</i>	
	<i>31 March</i>	
	2020	2019
	KD	KD
Profit for the period	119,593	508,932
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	-	58,324
<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	(204,223)	2,040,424
Total other comprehensive (loss) income for the period	(204,223)	2,098,748
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(84,630)	2,607,680

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 31 March 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	-	-	-	-	-	-	119,593	119,593
Other comprehensive loss	-	-	-	-	(204,223)	-	-	(204,223)
Total comprehensive loss	-	-	-	-	(204,223)	-	119,593	(84,630)
At 31 March 2020	7,232,559	8,026,028	3,616,280	76,190	(780,281)	(1,512,066)	4,863,205	21,521,915
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	-	-	-	-	-	-	508,932	508,932
Other comprehensive income	-	-	-	-	2,040,424	58,324	-	2,098,748
Total comprehensive income	-	-	-	-	2,040,424	58,324	508,932	2,607,680
At 31 March 2019	15,388,423	17,100,000	5,463,472	211,404	6,784,673	(1,590,983)	1,604,792	44,961,781

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 CASH FLOWS (UNAUDITED)

For the period ended 31 March 2020

	Notes	Three months ended	
		2020	2019
		KD	KD
OPERATING ACTIVITIES			
Profit before tax		124,767	521,251
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation of property, plant and equipment		8,397	17,840
Net investment income	6	(16,048)	(514,566)
Provision for employees' end of service benefits		3,960	11,958
Interest expense on lease liabilities		-	357
Share of results of an associate		-	57,233
Interest income		(1,642)	(10,163)
Operating profit before changes in working capital		119,434	83,910
<i>Working capital adjustments:</i>			
Inventories		68,206	(56,940)
Trade and other receivables		(290,982)	(37,858)
Trade and other payables		(69,021)	(291,210)
Cash flows used in operations		(172,363)	(302,098)
Employees' end of service benefits paid		(8,389)	(7,428)
Net cash flows used in operating activities		(180,752)	(309,526)
INVESTING ACTIVITIES			
Payments towards capital increase of an associate		-	(44,475)
Purchase of items of property, plant and equipment		(5,629)	-
Dividend income received	6	16,048	353,425
Interest income received		1,642	10,163
Net cash flows from investing activities		12,061	319,113
FINANCING ACTIVITIES			
Payments for lease liabilities		-	(4,804)
Net cash flows used in financing activities		-	(4,804)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(168,691)	4,783
Cash and cash equivalents as at the 1 January		2,299,991	1,727,906
CASH AND CASH EQUIVALENTS AT 31 MARCH	4	2,131,300	1,732,689

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

1 CORPORATE INFORMATION

The interim condensed financial information of Kuwait Foundry Company K.S.C.P. (the "Company") for the three months ended 31 March 2020 was authorised for issue in accordance with a resolution of the Company's Board of Directors on 13 August 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 12.

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 three months ended 31 March 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 New and amended standards and interpretations

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 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.

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.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Quoted securities	-	-	20,052,768
Unquoted securities	15,089,996	15,294,219	15,977,152
	<u>15,089,996</u>	<u>15,294,219</u>	<u>36,029,920</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.

4 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>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Cash in hand	2,163	-	18,560
Cash at banks	2,129,137	2,299,991	1,406,637
Cash held in managed portfolios	-	-	307,492
Total cash and cash equivalents	<u>2,131,300</u>	<u>2,299,991</u>	<u>1,732,689</u>

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

5 TRADE AND OTHER PAYABLES

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Trade payables	30,334	23,872	58,210
Advances from customers	157,057	137,619	130,823
Accrued expenses	40,976	50,383	18,714
Board of Directors' remuneration payable	30,000	30,000	18,000
KFAS payable	74,008	72,886	60,846
Zakat payable	66,199	65,157	4,657
NLST payable	204,879	201,871	19,026
Dividends and distributions payable	764,111	855,827	-
Other payables	43,641	37,437	256,665
	<u>1,411,205</u>	<u>1,475,052</u>	<u>566,941</u>

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

6 NET INVESTMENT INCOME

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Dividend income	16,048	513,115
Changes in fair value of financial assets at fair value through profit or loss	-	1,451
	<u>16,048</u>	<u>514,566</u>

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>31 March</i>	
	<i>2020</i>	<i>2019</i>
Net profit for the period (KD)	119,593	508,932
Weighted average number of ordinary shares (shares)	81,711,489	90,933,524
Basic and diluted EPS (fils)	<u>1.46</u>	<u>5.60</u>

In accordance with International Accounting Standard IAS 33: "Earnings Per Share", the prior period comparative information has been restated as a result of the reduction in share capital. EPS for the three-month period ended 31 March 2019 was 3.31 fils, before the retrospective adjustment to the weighted average number of shares following the reduction in share capital.

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 three months 31 March 2020 and 2019, as well as, balances with related parties as at 31 March 2020, 31 December 2019 and 31 March 2019.

		<i>Major shareholder</i>	<i>Three months ended 31 March</i>	
			<i>2020</i>	<i>2019</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
Statement of profit or loss:				
Revenue from contracts with customers		2,143	2,143	3,082
			<i>(Audited)</i>	
	<i>Associates</i>	<i>Other related parties</i>	<i>31 March</i>	<i>31 December</i>
	<i>KD</i>	<i>KD</i>	<i>2020</i>	<i>2019</i>
			<i>KD</i>	<i>2019</i>
				<i>KD</i>
Statement of financial position:				
Loans and advances*	603,002	-	603,002	299,952
				1,841,743

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

8 RELATED PARTY DISCLOSURES (continued)

* *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.

For the period ended 31 March 2020, the Company recognised a provision for expected credit losses of KD 3,098 (31 March 2019: KD 3,087) relating to amounts owed by the associate.

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>Transaction values for the period ended 31 March</i>		<i>Balance outstanding as at 31 March</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>
Salaries and other short-term benefits	12,131	60,385	-	-
Post-employment benefits	812	9,289	45,242	843,706
	<u>12,943</u>	<u>69,674</u>	<u>45,242</u>	<u>843,706</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.

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.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

9 SEGMENT INFORMATION (continued)

The following tables present revenue and profit information for the Company's operating segments for the three months ended 31 March 2020 and 2019, respectively:

	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Period ended 31 March 2020</i>				
Revenue	468,765	17,690	194	486,649
Segment profit (loss)	162,045	17,690	(60,142)	119,593
Depreciation	(7,968)	-	(429)	(8,397)
Share of results of an associate	-	-	-	-
<i>Period ended 31 March 2019</i>				
Revenue	444,267	514,566	11,297	970,130
Segment profit (loss)	177,770	457,333	(126,171)	508,932
Depreciation	-	-	(17,840)	(17,840)
Share of results of an associate	-	(57,233)	-	(57,233)

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

	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>As at 31 March 2020</i>				
Total assets	2,763,989	18,228,034	2,215,888	23,207,911
Total liabilities	231,032	-	1,454,964	1,685,996
Other disclosures: Investment in an associate	-	1,358,508	-	1,358,508
<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 31 March 2019</i>				
Total assets	3,673,816	41,291,912	1,732,689	46,698,417
Total liabilities	52,474	-	1,684,162	1,736,636
Other disclosures: Investment in an associate	-	1,511,036	-	1,511,036

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

10 COMMITMENTS AND CONTINGENT LIABILITIES

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

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 31 March 2020, 31 December 2019 and 31 March 2019:

	<i>Fair value measurement using</i>			<i>Total</i> <i>KD</i>
	<i>Quoted prices</i> <i>in active</i> <i>markets</i> <i>(Level 1)</i> <i>KD</i>	<i>Significant</i> <i>observable</i> <i>inputs</i> <i>(Level 2)</i> <i>KD</i>	<i>Significant</i> <i>unobservable</i> <i>inputs</i> <i>(Level 3)</i> <i>KD</i>	
31 March 2020				
Assets measured at fair value:				
<i>Financial assets at FVTPL:</i>				
Unquoted equity securities	-	-	1,176,528	1,176,528
	<u>-</u>	<u>-</u>	<u>1,176,528</u>	<u>1,176,528</u>
<i>Financial assets at FVOCI:</i>				
Unquoted equity securities	-	-	15,089,996	15,089,996
	<u>-</u>	<u>-</u>	<u>15,089,996</u>	<u>15,089,996</u>
Investment securities (at fair value)	<u>-</u>	<u>-</u>	<u>16,266,524</u>	<u>16,266,524</u>

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

11 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
<i>31 March 2019</i>				
Assets measured at fair value:				
<i>Financial assets at FVTPL:</i>				
Unquoted equity securities	-	-	1,176,528	1,176,528
Unquoted fund	-	732,645	-	732,645
	-	732,645	1,176,528	1,909,173
<i>Financial assets at FVOCI:</i>				
Quoted equity securities	20,052,768	-	-	20,052,768
Unquoted equity securities	-	-	15,977,152	15,977,152
	20,052,768	-	15,977,152	36,029,920
Investment securities (at fair value)	20,052,768	732,645	17,153,680	37,939,093

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 three months ended 31 March 2020.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

11 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 at FVOCI</i>	<i>Financial assets at FVTPL</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
31 March 2020			
As at 1 January 2020	15,294,219	1,176,528	16,470,747
Remeasurement recognised in OCI	(204,223)	-	(204,223)
As at 31 March 2020	15,089,996	1,176,528	16,266,524

	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVTPL</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
31 December 2019 (Audited)			
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	15,294,219	1,176,528	16,470,747

	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVTPL</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
31 March 2019			
As at 1 January 2019 as previously reported (Audited)	15,978,783	1,176,528	17,155,311
Remeasurement recognised in OCI	(1,631)	-	(1,631)
As at 31 March 2019	15,977,152	1,176,528	17,153,680

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.

12 DISTRIBUTIONS MADE AND PROPOSED

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 dividends on ordinary shares are subject to approval at the annual general meeting (AGM) and are not recognised as a liability as at 31 March 2020. The proposed dividend for the year ended 31 December 2019 were approved on 6 May 2020.

13 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 for the quarter down by 12% sequentially 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 162,045 for the quarter, down 13% sequentially and 9% year-over-year

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 development in the second half of the year will be a crucial indicator of how quickly and sustainably the construction industry recovers to pre-crisis level. 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.

14 RISK MANAGEMENT

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 31 March 2020.

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 31 March 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.

14.1.1 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.

14 RISK MANAGEMENT (continued)

14.1.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

- ▶ 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 Company's overall liquidity position on the basis of expected cash flows.

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 and other highly marketable investments at an amount in excess of expected cash outflows on financial liabilities.

14.2 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 Note 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.

Trade receivables

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.

14 RISK MANAGEMENT (continued)

14.2 Use of estimates and assumptions (continued)

14.3 Subsequent events

The implications of COVID-19 are ongoing and the ultimate outcome of this event is unknown and therefore the full impact on the Company for events and circumstances that arose after the reporting date cannot be reasonably quantified at the authorisation date of this interim condensed financial information. The effect of COVID-19 on the Company as and when known will be incorporated into the determination of the Company's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.