



誠成集團

K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)

(Incorporated in Malaysia under the Companies Act, 1965)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 9 months ended 30/09/2018

	Note	Individual quarter ended		Cumulative period 9 months ended	
		30/09/2018 RM'000	30/9/2017 RM'000	30/09/2018 RM'000	30/9/2017 RM'000
Revenue	A7	31,201	31,574	80,076	83,454
Cost of sales		(25,855)	(25,769)	(65,270)	(68,090)
Gross profit		5,346	5,805	14,806	15,364
Other income		167	34	324	117
Selling and distribution expenses		(858)	(752)	(2,273)	(2,300)
Administration expenses		(2,674)	(2,366)	(7,839)	(6,669)
Other expenses		(1,761)	(642)	(2,875)	(1,788)
Profit from operations		220	2,079	2,143	4,724
Finance costs		(307)	(375)	(1,184)	(1,084)
		(87)	1,704	959	3,640
Share of results of associate		99	45	205	212
Profit before taxation	B8	12	1,749	1,164	3,852
Income tax expense	B5	347	(656)	44	(822)
Profit after taxation		359	1,093	1,208	3,030
Total Comprehensive income for the period		359	1,093	1,208	3,030
Profit Attributable To:					
Owners of The Parent		440	960	1,183	2,787
Non-Controlling Interests		(81)	133	25	243
		359	1,093	1,208	3,030
Total Comprehensive income attributable to :					
Owners of The Parent		440	960	1,183	2,787
Non-Controlling Interests		(81)	133	25	243
		359	1,093	1,208	3,030
Weighted average number of ordinary shares in issue ('000)	B11	96,000	96,000	96,000	96,000
Earnings per share attributable to owners of the parent :					
Basic (Sen)	B11	0.46	1.00	1.23	2.90
Diluted (Sen)	B11	0.46	1.00	1.23	2.90

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.)



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Condensed Consolidated Statement of Financial Position as at 30/09/2018

	Note	Unaudited As at 30/09/2018 RM'000	Audited As at 31/12/2017 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		11,816	11,297
Investment in an associate		4,514	4,308
Deferred Tax Assets		1,111	761
		<u>17,441</u>	<u>16,366</u>
Current assets:			
Inventories		54,486	44,241
Trade and other receivables		40,741	48,041
Tax recoverable		1,886	999
Deposits, Cash and bank balances		13,984	13,495
		<u>111,097</u>	<u>106,776</u>
TOTAL ASSETS		<u><u>128,538</u></u>	<u><u>123,142</u></u>
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and Other payables		9,922	10,781
Provision for taxation		(98)	117
Hire purchase payable	B7	900	778
Loans and borrowings	B7	34,794	28,081
		<u>45,518</u>	<u>39,757</u>
Non-current liabilities			
Hire purchase payables	B7	1,920	1,481
Deferred tax liabilities		43	135
		<u>1,963</u>	<u>1,616</u>
TOTAL LIABILITIES		<u>47,481</u>	<u>41,373</u>
Equity:			
Share capital		48,515	48,515
Retained profits		31,321	32,058
Equity attributable to owners of the parent		<u>79,836</u>	<u>80,573</u>
Non-controlling Interests		1,221	1,196
TOTAL EQUITY		<u>81,057</u>	<u>81,769</u>
TOTAL EQUITY AND LIABILITIES		<u><u>128,538</u></u>	<u><u>123,142</u></u>
Net assets per share attributable to owners of the parent (RM)		0.83	0.84

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.)



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Unaudited Condensed Statement of Changes in Equity for the 9 months ended 30/09/2018

<----- Attributable to Owners of Parent ----->

Note	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 01/01/2017	48,000	515	27,751	76,266	1,732	77,998
Transition to no par value regime **	515	(515)				
Effects of changes in stakes in a subsidiary	-	-	271	271	(756)	(485)
Total comprehensive income for the period	-	-	2,787	2,787	243	3,030
Dividends paid	-	-	(1,440)	(1,440)	-	(1,440)
Balance at 30/09/2017	48,515	-	29,369	77,884	1,219	79,103
Balance at 01/01/2018	48,515	-	32,058	80,573	1,196	81,769
Total comprehensive income for the period	-	-	1,183	1,183	25	1,208
Dividends paid	-	-	(1,920)	(1,920)	-	(1,920)
Balance at 30/09/2018	48,515	-	31,321	79,836	1,221	81,057

** Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium become part of the Company's share capital pursuant to the transitional provision set out in the Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.)

Unaudited Condensed Statement of Cash Flows for the 9 months ended 30/09/2018

	9 months ended	
	30/09/2018	30/9/2017
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	1,164	3,852
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	1,314	1,320
Impairment loss in trade receivables	1,257	-
Gain on disposal property, plant and equipment	(56)	(81)
Interest expense	1,169	1,065
Interest income	(663)	(117)
Share of profits of Associate	(205)	(212)
Operating profit before changes in working capital	<u>3,980</u>	<u>5,827</u>
Working Capital Changes		
Decrease/(Increase) in trade and other receivables	5,182	336
(Increase)/Decrease in inventories	(10,245)	(1,859)
(Decrease)/Increase in trade and other payables	2	(7,467)
Increase/(Decrease) in Short term Trade Banker Acceptance	6,712	7,700
	<u>1,651</u>	<u>(1,290)</u>
Cash generated from operations	5,631	4,537
Interest received	663	117
Interest paid	(1,169)	(1,065)
Income tax refunded	318	205
Income tax paid	(1,818)	(1,360)
	<u>(2,006)</u>	<u>(2,103)</u>
Net Cash generated from operating activities	<u>3,625</u>	<u>2,434</u>
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	56	448
Purchase of property, plant and equipment	(156)	(715)
Acquisition of non-controlling interest	-	(125)
Net cash used in Investing Activities	<u>(100)</u>	<u>(392)</u>
Cash Flows From Financing Activities:		
Dividends paid on shares	(1,920)	(1,440)
Proceeds from bank borrowings	170	-
Payment for hire purchase obligations	(1,286)	(588)
Net cash flow used in Financing Activities	<u>(3,036)</u>	<u>(2,028)</u>
Net changes in Cash and Cash Equivalents	489	14
Cash and Cash Equivalents at Beginning of The Period	13,495	12,430
Cash and Cash Equivalents at End of The Period	<u>13,984</u>	<u>12,444</u>
Cash and Cash Equivalents Comprise:		
Cash and bank balances	13,984	12,444
	<u>13,984</u>	<u>12,444</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.)



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Notes of the Interim Financial Report for the 9 months ended 30/09/2018

A. Compliance with Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting and Bursa Listing Requirements

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB), International Accounting Standard (IAS) 34: Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) and Chapter 9 Part K of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Securities). The figures for the cumulative period 9 months ended 30/09/2018 have not been audited.

The interim financial statements should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31/12/2017, which were prepared in accordance with Malaysian Financial Reporting Standards (MFRSs) and International Financial Reporting Standards (IFRSs). The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31/12/2017.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31/12/2017 except for the adoption of the following Amendments/Improvement to MFRSs which are applicable to its financial statements and are relevant to its operations:-

New Malaysian Financial Reporting Standards ("MFRSs")

MFRS 9 Financial Instruments

MFRS 15 Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

MFRS 1 First- time adoption of MFRSs

MFRS 2 Share-based Payment

MFRS 4 Insurance Contracts

MFRS 128 Investments in Associates and Joint Ventures

MFRS 140 Investment Property

New IC Interpretation ("IC Int")

IC Int 22 Foreign Currency Transactions and Advance Consideration

The following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued by MASB but not yet effective and have not been applied by the Group.

New MFRSs

MFRS 16 Leases *

MFRS 17 Insurance Contracts ***

Amendments/Improvements to MFRSs

MFRS 2 Share-based Payment **

MFRS 3 Business Combinations *

MFRS 6 Exploration for and Evaluation of Mineral Resources **

MFRS 9 Financial Instruments *

MFRS 10 Consolidated Financial Statements (1)

MFRS 11 Joint Arrangements *

MFRS 14 Regulatory Deferral Accounts **

MFRS 101 Presentation of Financial Statements **

MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors **

MFRS 112 Income Taxes *

MFRS 119 Employee Benefits *

MFRS 123 Borrowing Costs *

MFRS 128 Investments in Associates and Joint Ventures *

MFRS 137 Provisions, Contingent Liabilities and Contingent Assets **

MFRS 138 Intangible Assets **



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Notes of the Interim Financial Report for the 9 months ended 30/09/2018

The Group will adopt the above new MFRSs and Amendments/Improvements to MFRSs when it becomes effective in the respective financial periods. The adoption of the above mentioned amendments to MFRSs are not expected to have any material effect to the financial statements of the Group upon initial recognition, except for MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers described below, for which the financial effects are still being assessed by the Group.

(i) MFRS 9 Financial Instruments

This final version of MFRS 9 replacing MFRS 139. MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held with two measurement at amortised cost or fair value. For impairment, MFRS 9 introduces expected-loss impairment model that will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments. For hedge accounting, MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity.

(ii) MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. MFRS 15 Revenue from Contracts with Customers established a new five-step model which will apply to recognition of revenue arising from contracts with customers.

A2. Seasonality or cyclicity of interim operations

Other than lower demand for our products during the festive period particularly in the first quarter of the year, our Group does not experience any material seasonality or cyclicity in our business operations.

A3. Unusual Items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items of nature, size or incidence that affect the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and cumulative 9 months period ended 30/09/2018.

A4. Material Changes in estimates

There were no changes in estimates that had materially affected the Group during the current quarter under review and financial year to date.

A5. Issuances, repurchases and repayments of debts and equity instruments

There were no issuance and repayment of debts and equity securities, shares buy-back, shares cancellation, shares held as treasury shares or resale of treasury shares during the current quarter under review and financial year to date.

A6. Dividends paid

There were no dividends paid by the Group during the current quarter ended 30/09/2018.



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Notes of the Interim Financial Report for the 9 months ended 30/09/2018

A7. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has four

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>3 months ended 30/09/2018</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	9,968	8,532	10,019	2,682	31,201
Reportable segment gross profit	897	2,247	1,946	256	5,346
<i>3 months ended 30/09/2017</i>					
Revenues from external customers	10,056	8,537	7,407	5,574	31,574
Reportable segment gross profit	936	2,372	1,857	640	5,805

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>9 months ended 30/09/2018</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	25,332	23,441	24,855	6,448	80,076
Reportable segment gross profit	2,058	6,601	5,265	882	14,806
<i>9 months ended 30/09/2017</i>					
Revenues from external customers	28,760	23,721	20,874	10,099	83,454
Reportable segment gross profit	2,724	6,452	5,113	1,075	15,364

A8. Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial quarter ended 30/09/2018 up to the date of this interim financial report which may substantially affect the results of the operations of the Group.

A9. Effects of changes in the composition of the Group and financial year-to-date

There were no changes in composition of the Group during the current quarter ended 30/09/2018 but on 29/10/2018, KSSC has an internal restructuring to dispose of its entire 100% equity interest in K.Seng Seng Manufacturing Sdn Bhd to the Company's wholly own subsidiary, KSG Engineering Sdn Bhd.



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Notes of the Interim Financial Report for the 9 months ended 30/09/2018

A10. Changes in contingent liabilities & assets since the last annual financial statements date

There were no changes in the contingent liabilities and assets of the Group since the last audited date of the financial statements.

A11. Capital commitment

Authorised capital commitments not recognised in the interim financial statements as at 30/09/2018 are as follows:

	RM'000
Approved and contracted for	449
	449
Analysed as follows:	
For purchase of plant and equipment	449

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 30/09/2018 are as follows:

Nature of Relationship	Sales of goods	Purchases of goods	Overdue Charges	Total for nature of relationship
	RM'000	RM'000	RM'000	RM'000
<i>Current quarter:</i>				
Associate	1,413	2	18	1,433
Total for type of transaction	1,413	2	18	1,433
<i>Cumulative 9 months Period:</i>				
Associate	3,554	3	23	3,580
Total for type of transaction	3,554	3	23	3,580

Notes of the Interim Financial Report for the 9 months ended 30/09/2018

B. Explanatory Notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Bhd

B1. Review of performance

	3rd quarter ended			Cumulative period 9 months ended		
	30/9/2018 RM'000	30/9/2017 RM'000	Changes %	30/9/2018 RM'000	30/9/2017 RM'000	Changes %
Revenue	31,201	31,574	(1.18)	80,076	83,454	(4.05)
Operating Profit	53	2,045	(97.41)	1,819	4,607	(60.52)
Profit Before Interest and Tax	319	2,124	(84.98)	2,348	4,936	(52.43)
Profit Before Tax	12	1,749	(99.31)	1,164	3,852	(69.78)
Profit After Tax	359	1,093	(67.15)	1,208	3,030	(60.13)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	440	960	(54.17)	1,183	2,787	(57.55)

The Group revenue for the 9 months cumulative period had decreased by 4.05% from RM83.45 million as reported in the corresponding preceding period in the prior financial year to RM80.08 million.

Sales of Stainless Steel Products segment and Marine Hardware & Consumable segment accounted for approximately 59.29% of total revenue. Revenue from Other Industrial Hardware segment and Engineering Works segment constituted approximately 32.11% and 8.6% respectively of total revenue.

During the quarter under review, the Company generated revenue of RM9.97 million or decreased by 0.87% for Stainless Steel Products segment as compared to RM10.06 million as reported in corresponding preceding period in prior financial year. The decline in revenue was principally due to weaker demand in Stainless Steel products. The Company generated revenue of RM2.68 million or decreased by 51.9% for Engineering Works segment as compared to RM5.57 million as reported in corresponding preceding period in prior financial year. The decreased was principally due to postponement in fabrication & installation of Gloves Dipping Line as compared to corresponding preceding period in the prior financial year.

Revenue from Other Industrial Hardware segment increased as previous corresponding preceding period from RM7.41 million to RM10.02 million. However this segment contributed gross profit margin of RM1.95million.

Despite the declined revenue from Engineering Works Segment, our revenue from Marine Hardware & Consumable segment almost same as previous corresponding preceding period of 8.53 million. However this segment contributed gross profit margin of RM2.24 million.

The Group profit before tax for the 9 months cumulative period had decreased from RM3.85 million in the corresponding preceding period in prior financial year to RM1.16 million, representing an decrease of 69.78% in profit before tax. This was mainly attributable to impairment loss in trade receivable of 1.26 million.

B2. Comparison with immediate preceding quarter's results

	Individual quarter ended		
	30/9/2018 RM'000	30/6/2018 RM'000	Changes %
Revenue	31,201	23,701	31.64
Operating Profit	53	1,053	(94.97)
Profit Before Interest and Tax	319	1,180	(72.97)
Profit Before Tax	12	668	(98.20)
Profit After Tax	359	476	(24.58)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	440	454	(3.08)



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The Group profit before tax of RM12 thousand for the current quarter under review was 98.20% lower compared with the profit before tax amounting to RM668 thousand of the immediate preceding quarter. This was mainly attributable to impairment loss in trade receivable of 1.26 million.

B3. Commentary on prospects

The Board will continue to enhance the Group marketing strategy through expansion of the Engineering Works Segment and increase the Group products offering to increase revenue. Barring the economic uncertainty, the Board strives for the betterment.

B4. Profit forecast or profit guarantee

Not applicable as the Group has not issued any profit forecast or profit guarantee in a public document.

B5. Breakdown of tax changes

Tax charges comprise:	Current Quarter RM'000	Current Year-to-Date RM'000
Malaysian taxation based on profit for the period:		
Current tax expense	(59)	(443)
Adjustment for under provision	(380)	(380)
Deferred tax expense	92	779
Net tax charge	(347)	(44)

Reconciliation of Effective Tax Rate:

	Current Year-to-Date RM'000	%
Accounting Profit before tax	1,164	-
Statutory tax amount / rate	279	24.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	26	2.2%
Other Expenses not deductible for tax purposes	28	2.4%
Other professional fee	63	5.4%
Share of results of an associate	(49)	-4.2%
Deferred tax assets not recognised on:		
Under provision of deferred tax in prior years	(11)	-1.0%
Over provision of tax expense in prior years	(380)	-33.0%
Effective tax amount / rate	(44)	-3.8%

B6. Status of corporate proposals

There were no corporate proposals not completed as at the date of this report.

B7. Details of Group borrowings and debts securities

The Group's borrowings securities denominated in Malaysian Ringgit as at 30/09/2018 are as follows:

	Total RM'000	Secured RM'000
Long-term:		
Hire purchase liabilities	1,920	1,920
	1,920	1,920
Short-term:		
Bills and other trade financing liabilities	34,794	34,794
Hire purchase liabilities	900	900
	35,694	35,694



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Notes of the Interim Financial Report for the 9 months ended 30/09/2018

B8. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Individual quarter ended		Cumulative period 9 months ended	
	30/09/2018	30/9/2017	30/09/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
1) <i>Other operating income:</i>				
Interest income	(290)	(34)	(663)	(117)
Loss/(Gain) on disposal of property, plant and equipment	-	-	(56)	(81)
2) <i>Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	475	452	1,314	1,320
Employee benefit expenses	3,486	3,098	10,209	9,058
3) <i>Other expenses:</i>				
Impairment loss in trade receivable	1,257	-	1,257	-
Realised Forex (gains)/losses	(39)	(7)	21	(135)
4) <i>Finance costs:</i>				
Bank overdrafts	5	5	16	15
Bankers acceptance	250	331	1,007	949
Hire Purchase	46	34	146	102

Save as disclosed above, the other items as required under Appendix 9B Part A(16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

B9. Changes in Material Litigations

The Group is not engaged in any material litigation except for Koseng Sdn Bhd ("Plaintiff"), a 75% subsidiary of the Group had filed a Writ of Summon dated 12/11/2018 against Phuah Huat Trading ("Defendant"), demanding for the sum of RM1,141,600 being Trade Receivables due to the Plaintiff. The Case Management was on 21/11/2018

B10. Proposed Dividends

The Directors do not recommend any dividend for the current quarter ended 30/09/2018.

B11. Earnings per share

(a) The earnings used as the numerator in calculating Basic and Diluted earnings per share (EPS) for the current quarter ended 30/09/2018 are as follows:

	Current Quarter RM'000	Current Year-to-Date RM'000
Profit for the financial period attributable to owners of the Parent (used as numerator for the Basic EPS)	<u>440</u>	<u>1,183</u>



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(b) The weighted average number of ordinary shares used in the denominator in calculating Basic and Diluted earnings per share for the current quarter and cumulative period ended 30/09/2018 are as follows:

	Current Quarter '000	Current Year-to-Date '000
Weighted average number of ordinary shares in issue (used as denominator for the Basic EPS)	<u>96,000</u>	<u>96,000</u>
Weighted average number of ordinary shares in issue (used as denominator for the Diluted EPS)	<u>96,000</u>	<u>96,000</u>

Diluted earnings per share is equivalent to Basic EPS as the Group does not have any dilutive potential ordinary shares in issue during the financial quarter under review and financial year to date.

B12. Audit report qualification and status of matters raised

The audit report of the Group's annual financial statements for the year ended 31/12/2017 did not contain any qualification.

B13. Authorisation for issue

The interim financial report was duly reviewed by Audit Committee and approved by the Board of Directors on 28/11/2018.