

KUWAIT FOUNDRY COMPANY K.S.C.P.

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

31 MARCH 2022





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

Tel: +965 2295 5000 /
+965 2295 2880
Fax: +965 2245 6419
www.ey.com

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 2022, and the related interim condensed statement of profit or loss and the interim condensed statement of comprehensive income, the interim condensed statement of changes in equity and the 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

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 three-month period ended 31 March 2022 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 three-month period ended 31 March 2022 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

21 April 2022
Kuwait

Kuwait Foundry Company K.S.C.P.

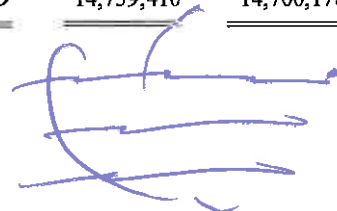
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2022

	Notes	31 March 2022 KD	(Audited) 31 December 2021 KD	31 March 2021 KD
ASSETS				
Non-current assets				
Property, plant and equipment		300,616	302,005	307,336
Financial assets at fair value through other comprehensive income	3	12,560,523	11,798,855	11,364,974
		<u>12,861,139</u>	<u>12,100,860</u>	<u>11,672,310</u>
Current assets				
Inventories		2,074,555	2,130,298	2,303,690
Trade and other receivables		119,700	55,598	88,099
Cash and cash equivalents	4	445,775	472,654	636,079
		<u>2,640,030</u>	<u>2,658,550</u>	<u>3,027,868</u>
TOTAL ASSETS		<u>15,501,169</u>	<u>14,759,410</u>	<u>14,700,178</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		(3,257,252)	(4,018,920)	(4,452,801)
Foreign currency translation reserve		(1,418,868)	(1,418,868)	(1,418,868)
Retained earnings		622,208	589,519	686,924
		<u>14,897,145</u>	<u>14,102,788</u>	<u>13,766,312</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		105,564	101,449	213,456
Current liabilities				
Trade and other payables	5	498,460	555,173	720,410
Total liabilities		<u>604,024</u>	<u>656,622</u>	<u>933,866</u>
TOTAL EQUITY AND LIABILITIES		<u>15,501,169</u>	<u>14,759,410</u>	<u>14,700,178</u>



Ahmad Jassem Al Gumar
Chairman



Al Muthana Mohammed Al Maktoum
Chief Executive Officer

The attached notes 1 to 12 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 2022

	<i>Three months ended</i>	
	<i>31 March</i>	
	2022	2021
<i>Notes</i>	KD	KD
Revenue from contracts with customers	243,443	251,542
Cost of sales	(160,055)	(134,192)
GROSS PROFIT	83,388	117,350
Other operating income	8,394	48,094
Interest income	137	788
Reversal of provision no longer required	-	26,237
Selling and marketing expenses	(5,630)	(4,235)
General and administrative expenses	(51,867)	(49,307)
PROFIT BEFORE TAX	34,422	138,927
Contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)	(385)	(1,389)
National Labour Support Tax (“NLST”)	(963)	(3,094)
Zakat	(385)	(1,238)
PROFIT FOR THE PERIOD	32,689	133,206
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	6 0.45 Fils	1.84 Fils

The attached notes 1 to 11 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 2022

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
PROFIT FOR THE PERIOD	32,689	133,206
Other comprehensive income		
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Net gain on equity instruments designated at fair value through other comprehensive income	761,668	528,978
Total other comprehensive income for the period	761,668	528,978
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	794,357	662,184

The attached notes 1 to 11 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 2022

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Total equity KD</i>
As at 1 January 2022 (Audited)	7,232,559	8,026,028	3,616,280	76,190	(4,018,920)	(1,418,868)	589,519	14,102,788
Profit for the period	-	-	-	-	-	-	32,689	32,689
Other comprehensive income	-	-	-	-	761,668	-	-	761,668
Total comprehensive income	-	-	-	-	761,668	-	32,689	794,357
At 31 March 2022	7,232,559	8,026,028	3,616,280	76,190	(3,257,252)	(1,418,868)	622,208	14,897,145
As at 1 January 2021 (Audited)	7,232,559	8,026,028	3,616,280	76,190	(4,981,779)	(1,418,868)	1,059,997	13,610,407
Profit for the period	-	-	-	-	-	-	133,206	133,206
Other comprehensive income	-	-	-	-	528,978	-	-	528,978
Total comprehensive income	-	-	-	-	528,978	-	133,206	662,184
Cash dividends (Note 11)	-	-	-	-	-	-	(506,279)	(506,279)
At 31 March 2021	7,232,559	8,026,028	3,616,280	76,190	(4,452,801)	(1,418,868)	686,924	13,766,312

The attached notes 1 to 11 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 2022

	Notes	Three months ended	
		31 March	
		2022	2021
		KD	KD
OPERATING ACTIVITIES			
Profit before tax		34,422	138,927
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation of property, plant and equipment		1,389	2,637
Reversal of provision no longer required		-	(26,237)
Provision for employees' end of service benefits		7,118	2,691
Interest income		(137)	(788)
Operating profit before changes in working capital		42,792	117,230
<i>Working capital adjustments:</i>			
Inventories		55,743	54,746
Trade and other receivables		(64,102)	8,319
Trade and other payables		(25,642)	(133,962)
Cash flows from operations		8,791	46,333
Employees' end of service benefits paid		(3,003)	(17,857)
Net cash flows from operating activities		5,788	28,476
INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		-	(564)
Interest income received		137	788
Net cash flows from investing activities		137	224
FINANCING ACTIVITIES			
Cash dividends paid		(32,804)	(506,279)
Net cash used in financing activities		(32,804)	(506,279)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(26,879)	(477,579)
Cash and cash equivalents as at the 1 January		472,654	1,113,658
CASH AND CASH EQUIVALENTS AT 31 MARCH	4	445,775	636,079

The attached notes 1 to 11 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 2022 was authorised for issue in accordance with a resolution of the Company's Board of Directors on 21 April 2022.

The ordinary annual general assembly meeting for the year ended 31 December 2021 has not been convened as at the date of authorisation of this interim condensed financial statements. Accordingly, the financial statements for the year ended 31 December 2021 have not yet been approved. The opening balances as at 1 January 2022 are subject to the approval of the shareholders at the AGM.

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 2022 has been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34").

The Company has prepared the interim condensed financial information on the basis that it will continue to operate as a going concern. The management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

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 2021.

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 2021, except for the adoption of new standards effective as of 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the interim condensed financial information as the Company had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts.

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

2.2 New and amended standards and interpretations (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed financial information of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed financial information of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the interim condensed financial information of the Company as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the interim condensed financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the interim condensed financial information of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>31 March</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>31 March</i> <i>2021</i> <i>KD</i>
Unquoted equity securities	<u>12,560,523</u>	<u>11,798,855</u>	<u>11,364,974</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 10.

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>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>31 March</i> <i>2021</i> <i>KD</i>
Cash in hand	2,200	1,354	1,600
Cash at banks	<u>443,575</u>	<u>471,300</u>	<u>634,479</u>
Total cash and cash equivalents	<u>445,775</u>	<u>472,654</u>	<u>636,079</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 March 2022, the Company did not have any undrawn committed overdraft facilities (31 December 2021: Nil and 31 March 2021: KD 750,000).

5 TRADE AND OTHER PAYABLES

	<i>31 March</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>31 March</i> <i>2021</i> <i>KD</i>
Trade payables	7,454	10,161	15,115
Advances from customers	51,894	66,774	60,869
Staff leave provision	18,717	16,653	27,609
Accrued expenses	7,523	12,119	6,789
KFAS payable	73,270	72,886	74,275
Zakat payable	385	-	1,238
NLST payable	963	-	3,094
Dividends and distributions payable	302,822	335,626	530,896
Other payables	<u>35,432</u>	<u>40,954</u>	<u>525</u>
	<u>498,460</u>	<u>555,173</u>	<u>720,410</u>

6 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 calculated 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.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

6 EARNINGS PER SHARE (EPS) (continued)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2022	2021
Net profit for the period (KD)	32,689	133,206
Weighted average number of ordinary shares	72,325,590	72,325,590
Basic and diluted EPS (fils)	0.45	1.84

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of this interim condensed financial information.

7 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 2022 and 2021:

	<i>Major shareholder</i>	<i>Three months ended 31 March</i>	
		2022	2021
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Statement of profit or loss:			
Revenue from contracts with customers	3,229	3,229	752

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash, there have been no guarantees provided or received for any related party receivables or payables.

Transactions with key management personnel

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 outstanding balances related to key management personnel were as follows:

	<i>Transaction values for the</i>		<i>Balance outstanding as at</i>		
	<i>three months ended</i>	<i>three months ended</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	31 March	31 March	2022	2021	2021
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	15,456	31,098	-	7,556	-
Employees end of service benefits	404	180	2,547	2,144	49,745
	15,860	31,278	2,547	9,700	49,745

The Board of Directors of the Company at the meeting held on 17 March 2022 did not propose any directors' remuneration for the year ended 31 December 2021.

Kuwait Foundry Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

8 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 three months ended 31 March 2022 and 2021, respectively:

	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Six months ended 31 March 2022</i>				
Revenue	<u>243,443</u>	<u>137</u>	<u>8,394</u>	<u>251,974</u>
Segment profit	<u>77,758</u>	<u>137</u>	<u>(45,206)</u>	<u>32,689</u>
Depreciation of property and equipment	<u>(830)</u>	<u>-</u>	<u>(559)</u>	<u>(1,389)</u>
	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Six months ended 31 March 2021</i>				
Revenue	<u>251,542</u>	<u>788</u>	<u>74,331</u>	<u>326,661</u>
Segment profit	<u>113,115</u>	<u>788</u>	<u>19,303</u>	<u>133,206</u>
Depreciation of property and equipment	<u>(2,175)</u>	<u>-</u>	<u>(462)</u>	<u>(2,637)</u>

The following table presents assets and liabilities information for the Company's operating segments as at 31 March 2022, 31 December 2021 and 31 March 2021, respectively:

	<i>Manufacturin KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>As at 31 March 2022</i>				
Total assets	<u>2,395,033</u>	<u>12,560,523</u>	<u>545,613</u>	<u>15,501,169</u>
Total liabilities	<u>113,494</u>	<u>-</u>	<u>490,530</u>	<u>604,024</u>
<i>As at 31 December 2021 (Audited)</i>				
Total assets	<u>2,449,419</u>	<u>11,798,855</u>	<u>511,136</u>	<u>14,759,410</u>
Total liabilities	<u>134,542</u>	<u>-</u>	<u>522,080</u>	<u>656,622</u>
<i>As at 31 March 2021</i>				
Total assets	<u>2,699,125</u>	<u>11,364,974</u>	<u>636,079</u>	<u>14,700,178</u>
Total liabilities	<u>692,801</u>	<u>-</u>	<u>241,065</u>	<u>933,866</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 2022

9 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>31 March</i> <i>2021</i> <i>KD</i>
Contingent liabilities			
Guarantees to an unrelated party	<u>2,150</u>	<u>2,150</u>	<u>22,150</u>

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

10 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 and other receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value measurements for the unquoted securities have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

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.

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 2022.

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

	<i>Non-listed equity instruments</i>	
	<i>Financial assets</i>	
	<i>at FVOCI</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>
<i>31 March 2022</i>		
As at 1 January 2022	11,798,855	11,798,855
Remeasurement recognised in OCI	761,668	761,668
As at 31 March 2022	<u>12,560,523</u>	<u>12,560,523</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 2022

10 FAIR VALUE MEASUREMENT (continued)

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

	<i>Non-listed equity instruments</i>	
	<i>Financial assets at FVOCI</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>
<i>31 December 2021 (Audited)</i>		
As at 1 January 2021	10,835,996	10,835,996
Remeasurement recognised in OCI	962,859	962,859
As at 31 December 2021	<u>11,798,855</u>	<u>11,798,855</u>
<i>31 March 2021</i>		
As at 1 January 2021	10,835,996	10,835,996
Remeasurement recognised in OCI	528,978	528,978
As at 31 March 2021	<u>11,364,974</u>	<u>11,364,974</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>FVOCI</i>	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Multiplier</i>	<i>Sensitivity of the input to fair value</i>
Unquoted securities	Market multiple approach	Sector multiple	1.1	10% increase (decrease) in the Sector PBV multiple would result in an increase (decrease) in fair value by KD 1,235,715 (31 December 2021: KD 1,458,476)
		DLOM	40%	5% increase (decrease) in the DLOM would result in (decrease) increase in fair value by KD 1,029,762 (31 December 2021: KD 494,916)

* 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.

11 DISTRIBUTIONS MADE AND PROPOSED

The Board of Directors, in their meeting held on 17 March 2022, did not propose cash dividends for the year ended 31 December 2021 (2020: 7 fils per share aggregating to KD 506,279). The proposal is subject to the approval of the shareholder at the annual general assembly (AGM). The proposed dividend for the year ended 31 December 2020 was approved by the shareholders at the AGM held on 7 March 2021.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2017 EYGM Limited.
All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com/mena