

**KUWAIT FOUNDRY COMPANY  
K.S.C.P. AND ITS SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2023**





**Ernst & Young**  
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## **INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF KUWAIT FOUNDRY COMPANY – K.S.C.P.**

### **Report on the Audit of Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Kuwait Foundry Company K.S.C.P. (the “Company”) and its subsidiary (collectively “the Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF KUWAIT  
FOUNDRY COMPANY K.S.C.P. (continued)**

**Report on the Audit of Consolidated Financial Statements (continued)**

***Key Audit Matters (continued)***

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<b><i>Valuation of unquoted investments</i></b>	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>The Group’s investment securities amounted to KD 14,079,579 representing 87% of the Group’s total assets as at 31 December 2023, comprising of unquoted equity investments designated at fair value through other comprehensive income (FVOCI) and categorised within Level 3 of the fair value hierarchy as disclosed in Note 21 to the consolidated financial statements.</p> <p>The valuation of the Group’s unquoted investments involves the use of assumptions and estimates. The key inputs used in the valuation model requires a considerable degree of judgment by management in establishing fair value and include identifying comparable public companies (peers) and determining appropriate valuation techniques.</p> <p>Given the size and complexity of the valuation of unquoted equity securities and the importance of the disclosures relating to the assumptions used in the valuation, we addressed this as a key audit matter.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▶ For valuations, which used significant both observable and unobservable inputs, we engaged our valuation experts who tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data’s relevance, completeness and accuracy.</li> <li>▶ We have evaluated the appropriateness of the model used to what we considered to be available alternative valuation methods. We also evaluated the reasonableness of the significant judgment and assumptions applied to the valuation models, including appropriateness of the comparable listed companies’ selection, the pricing multiples and discounts for lack of marketability.</li> <li>▶ We assessed the adequacy and the appropriateness of the Group’s disclosures concerning the Group’s exposure to financial instrument valuation risk, fair value measurement of investment securities and the sensitivity to changes in unobservable inputs in Note 21 to the consolidated financial statements.</li> </ul>

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT FOUNDRY COMPANY K.S.C.P. (continued)**

### **Report on the Audit of Consolidated Financial Statements (continued)**

#### ***Other Information included in the Group's 2023 Annual Report***

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT FOUNDRY COMPANY – K.S.C.P. (continued)**

### **Report on the Audit of Consolidated Financial Statements (continued)**

#### ***Auditor's Responsibilities for the Audit of the consolidated Financial Statements (continued)***

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## **INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF KUWAIT FOUNDRY COMPANY – K.S.C.P. (continued)**

### **Report on the Audit of Consolidated Financial Statements (continued)**

#### *Auditor’s Responsibilities for the Audit of the consolidated Financial Statements (continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company’s Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company’s Memorandum of Incorporation and Articles of Association, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2023, that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Markets Authority “CMA” and organization of security activity and its executive regulations, as amended during the year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or on its financial position.



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ABDULKARIM ALSAMDAN  
LICENCE NO. 208 A  
EY  
AL-AIBAN, AL-OSAIMI & PARTNERS

26 March 2024  
Kuwait



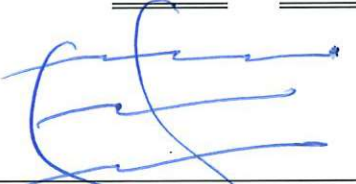
Kuwait Foundry Company K.S.C.P. and its Subsidiary  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2023

	<i>Notes</i>	<b>2023</b> <i>KD</i>	<b>2022</b> <i>KD</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	298,588	300,348
Financial assets at FVOCI	5	14,079,579	10,243,097
		<u>14,378,167</u>	<u>10,543,445</u>
<b>Current assets</b>			
Inventories	6	659,661	1,333,105
Trade and other receivables	7	81,499	60,309
Cash and cash equivalents	8	1,101,901	2,287,547
		<u>1,843,061</u>	<u>3,680,961</u>
<b>TOTAL ASSETS</b>		<u><u>16,221,228</u></u>	<u><u>14,224,406</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	9	6,500,000	7,232,559
Share premium	10	2,239,981	8,026,028
Statutory reserve	11	3,616,280	3,616,280
Voluntary reserve	11	76,190	76,190
Fair value reserve		(1,738,196)	(5,574,678)
Foreign currency translation reserve		(1,418,868)	(1,418,868)
Retained earnings		6,136,448	1,632,240
		<u>15,411,835</u>	<u>13,589,751</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits		<u>127,410</u>	<u>108,516</u>
<b>Current liabilities</b>			
Trade and other payables	12	<u>681,983</u>	<u>526,139</u>
<b>Total liabilities</b>		<u>809,393</u>	<u>634,655</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>16,221,228</u></u>	<u><u>14,224,406</u></u>



**Anas Abdulrahman AL-Asousi**

*Chairman*



**Al Muthana Mohammed Al-Maktoum**  
*Board Member and Chief Executive Officer*

# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>KD</b>	<b>2022</b> <b>KD</b>
Revenue from contracts with customers		<b>677,532</b>	753,909
Cost of sales		<b>(409,659)</b>	(453,238)
<b>GROSS PROFIT</b>		<b>267,873</b>	300,671
Other income		<b>8,691</b>	10,904
Interest income		<b>97,297</b>	384
Net foreign exchange differences		<b>(5,619)</b>	11,085
Selling and marketing expenses	13	<b>(17,724)</b>	(20,380)
General and administrative expenses	14	<b>(260,847)</b>	(233,322)
Write-down of inventories	6	<b>(672,448)</b>	(748,940)
Reversal of allowance for expected credit losses on trade receivables	7	<b>1,159</b>	9,367
<b>OPERATING LOSS</b>		<b>(581,618)</b>	(670,231)
Net investment income	15	<b>7,047,200</b>	1,833,696
<b>PROFIT BEFORE TAX</b>		<b>6,465,582</b>	1,163,465
Contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)		<b>(64,656)</b>	(11,635)
National Labour Support Tax (“NLST”)		<b>(179,682)</b>	(47,987)
Zakat		<b>(71,873)</b>	(19,122)
Directors’ remuneration		<b>(54,000)</b>	(42,000)
<b>PROFIT FOR THE YEAR</b>		<b>6,095,371</b>	1,042,721
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	16	<b>89.70</b>	14.42

The attached notes 1 to 25 form part of these consolidated financial statements.



# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<b>2023</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>
<b>PROFIT FOR THE YEAR</b>	<b>6,095,371</b>	<b>1,042,721</b>
<b>Other comprehensive income (loss)</b>		
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Net gain (loss) on equity instruments designated at FVOCI	<b>3,836,482</b>	<b>(1,555,758)</b>
<b>Total other comprehensive income (loss) for the year</b>	<b>3,836,482</b>	<b>(1,555,758)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>9,931,853</b>	<b>(513,037)</b>

The attached notes 1 to 25 form part of these consolidated financial statements.

Kuwait Foundry Company K.S.C.P. and its Subsidiary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	<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>
<b>As at 1 January 2023</b>	<b>7,232,559</b>	<b>8,026,028</b>	<b>3,616,280</b>	<b>76,190</b>	<b>(5,574,678)</b>	<b>(1,418,868)</b>	<b>1,632,240</b>	<b>13,589,751</b>
Profit for the year	-	-	-	-	-	-	6,095,371	6,095,371
Other comprehensive income	-	-	-	-	3,836,482	-	-	3,836,482
Total comprehensive income	-	-	-	-	3,836,482	-	6,095,371	9,931,853
Reduction in share capital (Note 22)	(732,559)	-	-	-	-	-	-	(732,559)
Cash dividends (Note 23)	-	(5,786,047)	-	-	-	-	(1,591,163)	(7,377,210)
<b>At 31 December 2023</b>	<b>6,500,000</b>	<b>2,239,981</b>	<b>3,616,280</b>	<b>76,190</b>	<b>(1,738,196)</b>	<b>(1,418,868)</b>	<b>6,136,448</b>	<b>15,411,835</b>
As at 1 January 2022	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 year	-	-	-	-	-	-	1,042,721	1,042,721
Other comprehensive loss	-	-	-	-	(1,555,758)	-	-	(1,555,758)
Total comprehensive loss	-	-	-	-	(1,555,758)	-	1,042,721	(513,037)
At 31 December 2022	7,232,559	8,026,028	3,616,280	76,190	(5,574,678)	(1,418,868)	1,632,240	13,589,751

The attached notes 1 to 25 form part of these financial statements.

# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>KD</b>	2022 <b>KD</b>
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>6,465,582</b>	1,163,465
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>			
Interest income		<b>(97,297)</b>	(384)
Depreciation of property, plant and equipment	4	<b>3,167</b>	5,677
Impairment of other receivables	7	<b>30,341</b>	-
Reversal of expected credit losses on trade receivables	7	<b>(1,159)</b>	(9,367)
Dividend income	15	<b>(7,047,200)</b>	(1,833,696)
Gain on sale property, plant and equipment		-	(2,354)
Write-down of inventories	6	<b>672,448</b>	748,940
Provision for employees' end of service benefits		<b>24,259</b>	16,979
		<b>50,141</b>	89,260
<i>Working capital adjustments:</i>			
Inventories		<b>996</b>	48,253
Trade and other receivables		<b>(35,102)</b>	4,656
Trade and other payables		<b>5,620</b>	(124,464)
Cash flows from operations		<b>21,655</b>	17,705
Employees' end of service benefits paid		<b>(5,365)</b>	(9,912)
Directors' remuneration paid		<b>(42,000)</b>	-
Taxes paid		<b>(133,834)</b>	(25,314)
<b>Net cash flows used in operating activities</b>		<b>(159,544)</b>	(17,521)
<b>INVESTING ACTIVITIES</b>			
Dividend income received		<b>7,047,200</b>	1,833,696
Proceeds from sale of property, plant and equipment		-	3,322
Interest income received		<b>82,027</b>	384
Purchase of items of property, plant and equipment	4	<b>(1,407)</b>	(4,988)
<b>Net cash flows from investing activities</b>		<b>7,127,820</b>	1,832,414
<b>FINANCING ACTIVITIES</b>			
Cash dividends paid	23	<b>(7,425,205)</b>	-
Payments to equity holders on reduction of share capital	22	<b>(728,717)</b>	-
<b>Net cash flows used in financing activities</b>		<b>(8,153,922)</b>	-
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		<b>2,287,547</b>	1,814,893
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	8	<b>1,101,901</b>	2,287,547

The attached notes 1 to 25 form part of these consolidated financial statements.

# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

### 1 CORPORATE INFORMATION

The consolidated financial statements of Kuwait Foundry Company K.S.C.P. (the “Parent Company”) and its Subsidiary (collectively, the “Group”) for the financial year ended 31 December 2023 were authorised for issue in accordance with a resolution of the board of directors on 26 March 2024, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Parent Company is a public shareholding company, incorporated and domiciled in Kuwait and whose shares are publicly traded in Boursa Kuwait. The Parent Company’s registered office is located at Al Rai Industrial Area, Street (10), Kuwait.

The Parent Company’s primary objectives are, as follows:

- ▶ Casting of iron and other metals, manufacturing the sanitary tools,
- ▶ Manufacturing the accessories for sewage systems, manufacturing of casting joint for “Asbestos” pipes,
- ▶ Manufacturing of water valves, manufacturing of water pumps, manufacturing casting accessories for Rain water drains,
- ▶ Manufacturing casting joints for water extensions, manufacturing casting pipes by centrifugal method,
- ▶ Manufacturing all the requirements related to casting industry, importing the materials necessary to achieve its objectives and all the commercial activities related to marketing and distribution of its products.
- ▶ The Parent Company may have an interest or participate under any manner in the entities carrying out works similar to its objective or which may assist the Group to achieve its objectives in Kuwait or abroad. It may buy these entities or take it as its subsidiaries.
- ▶ The Parent Company may invest its available excess funds through portfolios managed by specialised companies and parties. The Parent Company may also pledge the its’s properties, provide guarantees, make loans and lend to subsidiaries, associates and companies in which the Parent Company’s ownership is 5% or more.

During the year, the Group established a new subsidiary “Kuwait Foundry Holding Company K.S.C. (Closed)” with an issued and paid-up share capital of KD 525,000. The Group owns 99.9% equity interest in the subsidiary. The Group’s effective interest in the subsidiary is 100%. The remaining shares/ units are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares/ units in the subsidiary.

The consolidated financial statements of the Group include the financial statements of following subsidiary:

<i>Name of the Company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>% equity interest 2023</i>	<i>% equity interest 2022</i>
Kuwait Foundry Holding Company K.S.C. (Closed)	Kuwait	Investment activities	100%	-

### 2.1 BASIS OF PREPARATION

The consolidated financial statements of the Parent Company has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (‘IASB’).

The consolidated financial statements has been prepared on a historical cost basis except for investment securities that are measured at fair value.

The consolidated financial statements is presented in Kuwaiti Dinars (‘KD’), which is also the functional of the Parent Company.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

Certain prior period amounts have been reclassified to conform to the current year presentation. There is no effect of these reclassifications on the previously reported equity as at 31 December 2022 and profit for the year then ended. Such reclassification has been made to improve the quality of information presented.

## 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure, or rights, to variable returns from its involvement with the investee
- ▶ The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

Where practicable, appropriate adjustments for non-uniform accounting policies are made to their financial statements when included in the consolidated financial statements to bring them in line with the Group's accounting policies.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### **New and amended standards and interpretations**

The accounting policies and methods of computation adopted in the preparation of consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of new amendments effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### ***Definition of Accounting Estimates - Amendments to IAS 8***

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

### ***Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2***

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

## 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new and amended standards and interpretations are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements. None of these are expected to have a significant impact on the Group's consolidated financial statements.

## 2.5 MATERIAL ACCOUNTING POLICY INFORMATION

### 2.5.1 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it typically controls the good before transferring them to the customer.

The following specific recognition criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue from the sale of goods is recognised when control of the goods is transferred to the customer, generally on delivery of the goods.

### 2.5.2 Interest income

Interest income is recognised in the consolidated statement of profit or loss for all interest-bearing financial instruments using the effective interest method.

### 2.5.3 Dividend income

Dividend income is recognised when the right to receive payment is established.

### 2.5.4 Dividend distribution

The Group recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group.

- ▶ Interim dividends to shareholders are recognised when declared by the directors after obtaining the necessary pre-approvals.
- ▶ Final dividends are recognised when the distribution is authorised when it is approved by the shareholders at the AGM.

### 2.5.5 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- ▶ Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- ▶ Held primarily for the purpose of trading;
- ▶ Expected to be realised within twelve months after the reporting period; or
- ▶ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- ▶ It is expected to be settled in the normal operating cycle;
- ▶ It is held primarily for the purpose of trading;
- ▶ It is due to be settled within twelve months after the reporting period; or
- ▶ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

## 2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 2.5.6 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and capital work in progress are not depreciated. Following completion, capital work in progress is transferred into the relevant class of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

▶ Building on a leasehold land	20 years
▶ Machinery, equipment and tools	10 years
▶ Operation patterns	5-6 years
▶ Motor vehicles	3-5 years
▶ Furniture and office equipment	4-5 years

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 2.5.7 Inventories

Inventories are valued at the lower of cost and net realisable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realisable value.

### 2.5.8 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *i) Financial assets*

##### **Initial recognition and initial measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.



**2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.5.8 Financial instruments - initial recognition and subsequent measurement (continued)**

**i) Financial assets (continued)**

**Initial recognition and initial measurement (continued)**

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

**a) Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**b) Financial assets at fair value through OCI (debt instruments)**

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

**c) Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify its non-listed equity investments under this category.

**d) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category included listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

**2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.5.8 Financial instruments - initial recognition and subsequent measurement (continued)**

**i) Financial assets (continued)**

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- ▶ The rights to receive cash flows from the asset have expired; or
- ▶ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established 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.

**ii) Financial liabilities**

**Initial recognition and measurement**

All financial liabilities are measured initially at fair value (transaction price) plus, directly attributable transaction costs.

The Group's financial liabilities comprise of trade and other payables.

All financial liabilities are recognised initially at fair value and, in the case of accounts payable, net of directly attributable transaction costs.

## 2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### ii) *Financial liabilities (continued)*

#### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- ▶ Financial liabilities at fair value through profit or loss
- ▶ Financial liabilities at amortised cost

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

#### ***Financial liabilities at amortised cost***

##### *Accounts payable and accruals*

Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

### iii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **2.5.9 Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

#### **2.5.10 Employees' end of service benefits**

The Group provides end of service benefits to all its employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

**2.5 MATERIAL ACCOUNTING POLICY INFORMATION POLICIES (continued)**

**2.5.11 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**2.5.12 Foreign currencies**

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

**2.5.13 Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position but are disclosed when an inflow of economic benefits is probable.

**2.5.14 Segment information**

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the Chief Operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

**2.5.15 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ 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

## 2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 2.5.16 Taxes

#### *Kuwait Foundation for the Advancement of Sciences (KFAS)*

The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, and transfer to statutory reserve until the reserve reaches 50% of share capital should be excluded from the profit base when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

#### *Zakat*

Contribution to Zakat is calculated at 1% of the profit for the year attributable to Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

#### *National Labour Support Tax (NLST)*

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from subsidiary, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

### 2.5.17 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

### 3.1 Significant judgements

In the process of applying the Group's accounting policies, management has made the following judgement, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### *Classification of financial assets*

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Judgments are required in determining the business model at an appropriate level that best reflects an aggregated group or portfolio of assets which are managed together to achieve a particular business objective. The Group also applies judgment to assess if there is a change in business model in circumstances when the assets within that business model are realised differently than the original expectations.

#### *Going concern assessment*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the necessary resources to continue in business for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**3.2 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related consolidated financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

***Useful lives of depreciable assets***

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

***Fair value measurement***

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

***Provision for impairment of inventories***

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

***Impairment of trade and other receivables***

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established 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. Actual results may differ from these estimates.

Kuwait Foundry Company K.S.C.P. and its Subsidiary  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 As at and for the year ended 31 December 2023

4 PROPERTY, PLANT AND EQUIPMENT

	<i>Building on a leasehold land* KD</i>	<i>Machinery, equipment and tools KD</i>	<i>Operation patterns KD</i>	<i>Motor vehicles KD</i>	<i>Furniture and office equipment KD</i>	<i>Total KD</i>
<b>Cost:</b>						
At 1 January 2022	2,081,390	4,467,919	830,428	124,564	133,563	7,637,864
Additions	-	-	1,536	200	3,252	4,988
Disposals	-	(1,384)	(3,849)	(202)	(6,750)	(12,185)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	2,081,390	4,466,535	828,115	124,562	130,065	7,630,667
Additions	-	-	-	-	1,407	1,407
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2023</b>	<b>2,081,390</b>	<b>4,466,535</b>	<b>828,115</b>	<b>124,562</b>	<b>131,472</b>	<b>7,632,074</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment:</b>						
At 1 January 2022	1,791,205	4,457,767	830,428	124,563	131,896	7,335,859
Depreciation charge for the year	390	5,200	-	87	-	5,677
Disposals	-	(543)	(3,849)	(105)	(6,720)	(11,217)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	1,791,595	4,462,424	826,579	124,545	125,176	7,330,319
Depreciation charge for the year	286	985	-	-	1,896	3,167
Disposals	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2023</b>	<b>1,791,881</b>	<b>4,463,409</b>	<b>826,579</b>	<b>124,545</b>	<b>127,072</b>	<b>7,333,486</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value:</b>						
<b>At 31 December 2023</b>	<b>289,509</b>	<b>3,126</b>	<b>1,536</b>	<b>17</b>	<b>4,400</b>	<b>298,588</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2022	289,795	4,111	1,536	17	4,889	300,348
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

\* The Group's building is constructed on a leasehold land granted by the Public Authority of Industry (PAI), which will expire on 1 May 2024. Management believes that it is reasonably certain to renew the lease for a similar term.

The Group has carried the operational patterns and motor vehicles at residual value. Hence, no depreciation has been charged for the same during the year.



# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

### 4 PROPERTY, PLANT AND EQUIPMENT (continued)

#### *Depreciation expense*

Depreciation expense included in the consolidated statement of profit or loss is allocated, as follows:

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Cost of sales	1,167	3,548
General and administrative expenses (Note 14)	2,000	2,129
	<u>3,167</u>	<u>5,677</u>

#### *Disposals of property, plant and equipment*

In 2023, the Group disposed equipment with a total net carrying amount of KD Nil (2022: KD 968) for a cash consideration of KD Nil (2022: KD 3,322).

#### *Fair value disclosure*

The Group carries out a valuation of its properties on an annual basis. The valuation is performed by at least two independent, registered and accredited real estate appraisers provided that one of them is a local bank and that the lower value is taken into account.

The fair value of the leasehold land and building as at 31 December 2023 determined based on valuations carried out by the respective appraisers using the market comparison approach amounted to KD 28,190,000 (31 December 2022: KD 28,200,000).

Significant increase (decrease) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis. However, the Group carries building on leasehold land at depreciated cost.

### 5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Unquoted equity investments	<u>14,079,579</u>	<u>10,243,097</u>

The hierarchy of determining and disclosing the fair values of the investment securities by valuation techniques is presented in Note 21.

### 6 INVENTORIES

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Raw materials and spare parts	877,162	917,239
Finished goods	1,258,230	1,219,149
Goods in transit	657	657
Less: Allowance for obsolete and slow-moving inventories	<u>(1,476,388)</u>	<u>(803,940)</u>
	<u>659,661</u>	<u>1,333,105</u>

During 2023, KD 196,415 (2022: KD 251,357) was recognised as an expense for inventories. This is recognised in cost of sales.

In addition, inventories have been reduced by KD 672,448 (2022: KD 748,940) as a result of a write-down to net realisable value. The write-down is recognised as an expense and presented separately in the consolidated statement of profit or loss.

# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

### 7 TRADE AND OTHER RECEIVABLES

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Trade receivables	<b>59,878</b>	51,408
Less: Allowance for expected credit losses	<b>(39,047)</b>	(40,206)
	<b>20,831</b>	11,202
Staff receivables	<b>13,318</b>	17,523
Refundable deposits	<b>9,000</b>	9,100
Prepaid expenses	<b>21,165</b>	21,069
Accrued Income	<b>15,270</b>	-
Other receivables*	<b>1,915</b>	1,415
	<b>81,499</b>	60,309

Trade receivables are non-interest bearing and are generally on terms of 30-90 days.

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 20 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
<b>As at 1 January</b>	<b>40,206</b>	56,426
Reversal of allowance recognised in profit or loss during the year	<b>(1,159)</b>	(9,367)
Write off during the year	-	(6,853)
<b>As at 31 December</b>	<b>39,047</b>	40,206

\* Certain other receivable amounting to KD 30,341 was fully impaired as management believes that there is no reasonable expectation of recovery

### 8 CASH AND CASH EQUIVALENTS

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Cash on hand	<b>1,816</b>	2,232
Cash at banks*	<b>350,085</b>	2,285,315
Short term deposit	<b>750,000</b>	-
<b>Total cash and cash equivalents</b>	<b>1,101,901</b>	2,287,547

\*An amount of KD Nil (2022: KD 525,000) has been restricted in relation to establishing a new subsidiary. The legal proceedings with respect to the incorporation of the subsidiary were completed on 18 April 2023.

Short-term deposits are made for periods of less than three months and carry an effective profit rate of 4.450% per annum. Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 December 2023, the Group had available KD 500,000 undrawn committed overdraft facilities (31 December 2022: KD 500,000).

# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

### 9 SHARE CAPITAL

	<i>Number of shares</i>		<i>Authorised, issued and fully paid</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Shares of 100 fils each (paid in cash)	<b>65,000,000</b>	72,325,590	<b>6,500,000</b>	7,232,559

The Parent Company's Board of Directors in their meeting held on 29 March 2023 proposed the reduction of authorised, issued and paid-up share capital of the Parent Company from 72,325,590 shares amounting to KD 7,232,559 to 65,000,000 shares amounting KD 6,500,000 and distributing the reduction amount of KD 732,559 to the shareholders pro-rated to their shareholding in the Parent Company. This proposal has been approved by the shareholders at the Extraordinary General Meeting (EGM) held on 4 May 2023. The capital reduction was authenticated in the commercial register on 28 May 2023 under registration 12194.

### 10 SHARE PREMIUM

This represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

### 11 RESERVES

#### a) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

#### b) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before tax and directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Parent Company's Board of Directors. There are no restrictions on the distribution of this reserve. In 1998, the AGM of the shareholders resolved to discontinue transfers to the voluntary reserve.

### 12 TRADE AND OTHER PAYABLES

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Trade payables	2,034	177
Advances from customers	56,969	55,323
Accrued expenses	23,860	21,600
KFAS payable	64,656	61,634
Zakat payable	71,873	24,213
NLST payable	179,682	47,987
Dividends and distributions payable	206,864	251,017
Directors' remuneration payable	54,000	42,000
Other payables	22,045	22,188
	<b>681,983</b>	<b>526,139</b>

Terms and conditions of the above financial liabilities:

- ▶ Trade payables are non-interest bearing and are normally settled on 90-day terms
- ▶ Other payables are non-interest bearing and have an average term of six months

For explanation on the Group's liquidity risk management processes, refer to Note 20.

# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

### 13 SELLING AND MARKETING EXPENSES

	<b>2023</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>
Staff costs	14,841	16,167
Other expenses	2,883	4,213
	<u>17,724</u>	<u>20,380</u>

### 14 GENERAL AND ADMINISTRATIVE EXPENSES

	<b>2023</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>
Staff costs	120,207	119,805
Professional fees	60,574	54,540
Depreciation of property, plant and equipment (Note 4)	2,000	2,129
Maintenance expenses	2,061	1,337
Other general and administrative expenses*	76,005	55,511
	<u>260,847</u>	<u>233,322</u>

\* Other general and administrative expenses include impairment of KD 30,341 (2022: KD Nil) against other receivables.

### 15 NET INVESTMENT INCOME

	<b>2023</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>
Dividend income – Foulath Holding B.S.C.C	7,047,200	1,826,400
Dividend income – Kuwait Catalyst K.S.C.C	-	7,296
	<u>7,047,200</u>	<u>1,833,696</u>

### 16 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year 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.

	<b>2023</b>	<b>2022</b>
Profit for the year (KD)	<u>6,095,371</u>	<u>1,042,721</u>
Weighted average number of shares outstanding during the year (shares)	<u>67,950,306</u>	<u>72,325,590</u>
<b>Basic and diluted earnings per share (Fils)</b>	<u>89.70</u>	<u>14.42</u>

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

### 17 COMMITMENTS AND CONTINGENCIES

#### 17.1 Operating lease commitments – Group as a lessee

The Group has entered into operating lease for the leasehold land with a lease term of six months, which is renewable indefinitely. Leasehold land is used for head office space for the Group and certain machinery and equipment.

At the reporting date, the future minimum rentals payable under non-cancellable operating leases is as follows:

	<b>2023</b>	2022
	<b>KD</b>	KD
Future minimum lease payments:		
Within one year	<b>13,896</b>	14,825
	<b>13,896</b>	14,825

### 18 RELATED PARTY DISCLOSURES

The Group's related parties include its associates and joint ventures, major shareholders, entities under common control, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

The following table shows the aggregate value of transactions and outstanding balances with related parties:

	<b>2023</b>	2022
	<b>KD</b>	KD
<b>Consolidated statement of profit or loss</b>		
Revenue from contracts with customers	<b>11,042</b>	18,179

#### 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 Group. 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>year ended 31 December</i>		<i>31 December</i>	
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>KD</b>	KD	<b>KD</b>	KD
Salaries and other short-term benefits	<b>77,163</b>	73,262	<b>15,282</b>	12,418
Post-employment benefits	<b>2,260</b>	1,745	<b>6,853</b>	4,593
	<b>79,423</b>	75,007	<b>22,135</b>	17,011

The Board of Directors of the Parent Company at the meeting held on 29 March 2023 proposed a directors' remuneration amounting to KD 42,000 for the year ended 31 December 2022. The proposal was approved by the shareholder at the annual general assembly (AGM) on 4 May 2023.

The Board of Directors of the Parent Company proposed a directors' remuneration amounting to KD 54,000 for the year ended 31 December 2023. The proposal is subject to the approval of the shareholders at the annual general assembly (AGM).

# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

### 19 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has two reportable segments, as follows:

- ▶ **Manufacturing:** which represents the manufacturing of iron and other metal products.
- ▶ **Investment:** which represents the Group's investments in securities and investment units to utilise the Group's financial surplus.

The following tables present revenue and profit information for the Group's operating segments for the year ended 31 December 2023 and 31 December 2022, respectively:

	<i>Manufacturing KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>As at 31 December 2023</i>				
Total assets	979,080	14,829,579	412,569	16,221,228
Total liabilities	82,739	-	726,654	809,393
<i>Year ended 31 December 2023</i>				
Revenue	677,532	7,144,497	9,850	7,831,879
Segment (loss) profit	(427,916)	7,144,497	(621,210)	6,095,371
Depreciation of property, plant and equipment	(1,167)	-	(2,000)	(3,167)
<i>As at 31 December 2022</i>				
Total assets	1,644,655	10,243,097	2,336,654	14,224,406
Total liabilities	84,938	-	549,717	634,655
<i>Year ended 31 December 2022</i>				
Revenue	753,909	1,834,080	20,271	2,608,260
Segment (loss) profit	(457,564)	1,834,080	(333,795)	1,042,721
Depreciation of property, plant and equipment	(3,548)	-	(2,129)	(5,677)

### Geographical information

The Group's revenue is derived from the sale of goods at a point in time and is geographically concentrated in Kuwait.

The majority of the Group's non-current assets are located in Kuwait, except for unquoted equity securities of KD 13,935,018 (2022: 10,138,653) which are issued in the Kingdom of Bahrain.

# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

### 20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk.

The Parent Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No significant changes were made in the risk management objectives and policies during the years ended 31 December 2023 and 31 December 2022. Management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

#### 20.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	<b>2023</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>
Trade receivables	<b>20,831</b>	11,202
Other receivables	<b>39,504</b>	28,038
Cash at banks and short term deposits	<b>1,100,085</b>	2,285,315
	<b>1,160,420</b>	2,324,555

#### *Trade receivables*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. At 31 December 2023: 100% (2022: 100%) of the Group's trade receivables are covered by letters of credit and other forms of credit insurance. These credit enhancements obtained by the Group resulted in a decrease in the ECL of KD 20,831 as at 31 December 2023 (2022: KD 11,202).

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	<i>Trade receivables</i>				<i>Total</i>
	<i>Current</i>	<i>Days past due</i>			
	<i>KD</i>	<i>&lt;90 days</i>	<i>91-180 days</i>	<i>&gt;180 days</i>	<i>KD</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>31 December 2023</b>					
Expected credit loss rate	-	-	-	<b>100%</b>	<b>65%</b>
Estimated gross carrying amount at default	<b>17,851</b>	<b>2,980</b>	-	<b>39,047</b>	<b>59,878</b>
Estimated credit loss	-	-	-	<b>(39,047)</b>	<b>(39,047)</b>



# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

### 20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 20.1 Credit risk (continued)

##### Trade receivables (continued)

	Current KD	Trade receivables			Total KD
		Days past due			
		<90 days KD	91-180 days KD	>180 days KD	
<i>31 December 2022</i>					
Expected credit loss rate	-	-	-	100%	78%
Estimated gross carrying amount at default	9,792	1,210	200	40,206	51,408
Estimated credit loss	-	-	-	(40,206)	(40,206)

##### Cash and cash equivalents and term deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

##### Other receivables

The management has impaired KD 30,341 (2022: KD Nil) against other receivables.

#### 20.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind and monitors liquidity on a regular basis and periodically assess the financial viability of the receivables.

The Group's terms of sales require amounts to be paid within 30-90 days of the date of sale. Trade payables are normally settled within 30-90 days of the date of purchase. The maturity profile is monitored by the Group's management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December, based on contractual undiscounted payments:

	Less than 3 months KD	3 to 12 months KD	Above 1 year KD	Total KD
<i>As at 31 December 2023</i>				
Trade and other payables (excluding advances)	602,969	22,045	-	625,014
<i>As at 31 December 2022</i>				
Trade and other payables (excluding advances)	448,628	22,188	-	470,816

## 20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 20.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign currency exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market. Financial instruments affected by market risk include managed funds.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short-term changes in fair value.

#### 20.3.1 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Parent Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to non-listed investments at fair value was 14,079,579 (2022: KD 10,243,097). Sensitivity analyses of these investments have been provided in Note 21.

#### 20.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial instruments, which potentially subject the Group to interest rate risk, consist principally of cash and cash equivalents and term deposits. The Group's term deposits are short-term in nature and yield interest at commercial rates. Therefore, the Group believes there is minimal risk of significant losses due to interest rate fluctuations.

As at the reporting date, the Group does not hold interest bearing liabilities.

#### 20.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Group is exposed to foreign exchange risk arising from currency exposures mainly with US Dollar (USD).

##### *Foreign currency risk management framework*

The Group monitors foreign currency exposure on an ongoing basis, appropriate decisions are taken to minimise the exposure to a specific currency when required.

Had the exchange rate of the following currencies increased/decreased by 5% against the Kuwaiti Dinar, with all other variables held constant, the Group's consolidated statement of profit or loss and other comprehensive income would have been shifted by the following amounts:

Currency	2023		2022	
	Impact on profit or loss KD	Impact on OCI KD	Impact on profit or loss KD	Impact on OCI KD
USD	2,897	696,751	91,685	506,932

## 21 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability; or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ 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 in the consolidated financial statements at fair value on a recurring basis, the Group 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 methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

### **Valuation methods and assumptions**

The following methods and assumptions were used to estimate the fair values:

#### *Unlisted equity investments*

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a mix of income and market comparison valuation techniques for the majority of these positions. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

There were no transfers between any levels of the fair value hierarchy during 2023 or 2022.

#### *Other financial assets and liabilities*

For all other financial assets and liabilities, management assessed that the carrying value is an approximation of fair value.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 21 FAIR VALUE MEASUREMENT (continued)

#### Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	<i>Non-listed equity investments designated at FVOCI</i>	
	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>
<b>As at 1 January</b>	<b>10,243,097</b>	11,798,855
Remeasurement recognised in OCI	<b>3,836,482</b>	(1,555,758)
<b>As at 31 December</b>	<b>14,079,579</b>	10,243,097

#### 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>Assets measured at fair value:</i>	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted securities	Market multiple approach	Sector multiple	0.812	10% increase (decrease) in the Sector PBV multiple would result in an increase (decrease) in fair value by KD 1,393,502 (2022: KD 1,013,865)
		DLOM	40%	5% increase (decrease) in the DLOM would result in (decrease) increase in fair value by KD 1,161,251 (2022: KD 844,887)

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

### 22 CAPITAL MANAGEMENT

The primary objective of the Group 's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to externally imposed capital requirements.

No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022.

Capital represents share capital and all other capital reserves and is measured at KD 15,411,835 as at 31 December 2023 (2022: KD 13,589,751).

The Parent Company’s Board of Directors in their meeting held on 29 March 2023 proposed the reduction of authorised, issued and paid-up share capital of the Parent Company from KD 7,232,559 to KD 6,500,000 and distributing the reduction amount of KD 732,559 to the shareholders pro-rated to their shareholding in the Parent Company. This proposal has been approved by the shareholders at the Extraordinary General Meeting (EGM) held on 4 May 2023. The capital reduction was authenticated in the commercial register on 28 May 2023 under registration 12194.

# Kuwait Foundry Company K.S.C.P. and its Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 23 DISTRIBUTIONS MADE AND PROPOSED

The Board of Directors of the Parent Company in their meeting held on 29 March 2023, proposed a cash dividend of 22 fils per share (aggregating to KD 1,591,163) for the year ended 31 December 2022. The proposed dividend was approved by the shareholders at the AGM held on 4 May 2023.

The Board of Directors of the Parent Company in their meeting held on 11 May 2023 proposed distributing interim dividends of 89 fils per share from equity reserves of KD 5,786,047 through partially utilising the share premium. The proposal has been approved by the shareholders at the ordinary general assembly held on 15 June 2023.

The Parent Company's Board of Directors in their meeting held on 26 March 2024 proposed a cash dividend of 35 fils per share amounting to KD 2,275,000 through partially utilising the share premium, statutory reserve and voluntary reserve. This proposal is subject to the approval of the shareholders at the AGM and is not recognised as a liability at year-end.

### 24 DEPRECIATION, STAFF COSTS, LEASE PAYMENTS AND COST OF INVENTORIES

	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>
<b>Included in cost of sales:</b>		
Depreciation	<b>1,167</b>	3,548
Staff costs	<b>156,703</b>	134,806
Expense relating to short-term leases	<b>52,816</b>	44,474
Costs of inventories recognised as an expense	<b>196,415</b>	251,357
<b>Included in general and administrative expenses:</b>		
Depreciation	<b>2,000</b>	2,129
Staff costs	<b>120,207</b>	119,805
<b>Included in selling and marketing expenses:</b>		
Staff costs	<b>14,841</b>	16,167

### 25 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year end, the Group received a payment of KD 2.55 million against the damages claimed from the other party with respect to a default in payment of the sale of land. The sale transaction was cancelled as a result.