

Kuwait Cement Company
Kuwait Public Shareholding Company
and its subsidiaries
State of Kuwait

Consolidated financial statements and independent auditor's report
For the financial year ended 31 December 2022

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

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Independent auditor's report

To the shareholders of Kuwait Cement Company - K.S.C.P.
State of Kuwait

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Kuwait Cement Company - K.S.C. (public) "Parent Company" and its subsidiaries (together referred to as the "Group") which includes the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of income, income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 2022, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis of 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 included in our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidences we have obtained are 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 the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our professional opinion thereon, and we do not provide a separate opinion on these matters. Below is the details of key audit matters that we have determined and how we addressed each of these key audit matters in our audit.

Impairment of property, plant and equipment
Property, plant and equipment are carried in the consolidated statement of financial position at KD 128,937,213 as at 31 December 2022, which represents a significant part of the total assets of the Group.

The impairment test that have been performed by the management of the Group that is considered is significant to our audit since the assessment of the recoverable amount requires the management to make significant judgements and estimates. Management applied the value in use method to assess the recoverable amount. The determination of the value in use requires that significant estimates and assumptions be made concerning future cash flows, growth rates, future business prospects, and associated discount rates. Accordingly, we consider this as a key audit matter.

Our audit procedures include obtaining the impairment assessment report, reviewing, appropriateness of the valuation model and reasonableness of the key assumptions applied. Furthermore, we focused on the adequacy of disclosures included in Note 5 to the accompanying consolidated financial statements.

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Other information

Management is responsible for the other information. Other information consists of the information included in the Group's annual report for the financial year ended 31 December 2022, other than the consolidated financial statements and the auditors' report thereon. We have not obtained the Group's annual report which also includes the report of Board of Directors, prior to the date of auditor's report. We expect to obtain these reports after the date of auditor's report. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, we conclude that the other information includes a material misstatement; we will be required to disclose that fact in our report. We have nothing to disclose in this regard. Our opinion on the consolidated financial statements does not include the other information, and we do not express any form of assurance conclusion thereon.

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, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and adopting 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 objective is 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 be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 those 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 the Group's 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.

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Independent auditor's report (Continued)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidences regarding the financial information of the Companies 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, related safeguards.

Among 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 year and are therefore considered as a key audit matter. We disclosed these matters in our auditor's report unless local laws or regulations preclude 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 information given in the Board of Directors' report relating to these consolidated financial statements are in accordance with these books. We further report that we obtained the information that we required for the purpose of our audit and that the consolidated financial statements incorporate information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the year ended 31 December 2022 that might have a material effect on the Group's business or its consolidated financial position.

We further report during our audit, nothing has come to our attention indicating any material violations of the provisions of Law No. 7 of 2010 concerning the Establishment of Capital Markets Authority and the Organization of Securities Activity and its Executive Regulations and its subsequent amendments, during the year ended 31 December 2022, which might have materially affected the Group's business or its consolidated financial position.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 14 March 2023

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Kuwait Cement Company - K.S.C. (Public)
And its Subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of financial position as at 31 December 2022

(All amounts are in Kuwaiti Dinars)

	Note	2022	2021
Assets			
Non-current assets			
Property, plant and equipment	5	128,937,213	131,497,904
Intangible assets		10	10
Investment properties	6	770,641	770,641
Investment in associates	7	17,252,492	16,967,298
Financial assets at fair value through other comprehensive income	8	99,751,017	99,793,317
Right-of-use assets	9	2,992,352	3,491,077
Total non-current assets		249,703,725	252,520,247
Currents assets			
Inventories	10	20,268,995	11,553,886
Accounts receivable and other debit balances	11	17,688,639	13,593,252
Financial assets at fair value through profit or loss		-	5,814,900
Cash and cash equivalents	12	8,723,902	11,476,986
Total current assets		46,681,536	42,439,024
Total assets		296,385,261	294,959,271
Equity and liabilities			
Equity			
Share capital	13	73,330,387	73,330,387
Share premium		26,675,810	26,675,810
Treasury shares	14	(13,546,935)	(13,546,935)
Profits on sale of treasury shares		441,409	441,409
Statutory reserve	15	48,270,703	48,270,703
Voluntary reserve	16	42,048,346	42,048,346
General reserve		18,930,128	18,930,128
Investments revaluation reserve		(7,252,092)	1,702,675
Group's share in associates' reserves		(11,220)	(10,612)
Foreign currency translation reserve		107,854	107,854
Retained earnings		5,165,534	4,140,643
Equity attributable to Shareholders of the Parent Company		194,159,924	202,090,408
Non-controlling interests		168,041	174,852
Total equity		194,327,965	202,265,260
Liabilities			
Non-current liabilities			
Loans, bank facilities and Murabaha	17	64,975,840	45,454,617
Provision for employees' end of service indemnity		3,647,465	3,629,392
Lease liabilities	9	2,350,386	2,860,962
Total non-current liabilities		70,973,691	51,944,971
Current liabilities			
Loans, bank facilities and Murabaha	17	9,343,858	18,351,507
Accounts payable and other credit balances	18	21,251,904	21,909,602
Lease liabilities	9	487,843	487,931
Total current liabilities		31,083,605	40,749,040
Total liabilities		102,057,296	92,694,011
Total equity and liabilities		296,385,261	294,959,271

The accompanying notes form part of the consolidated financial statements.

Rashed Abdulaziz Al-Rashed
Chairman

Dr. Abdul Aziz Rashid Al-Rashid
Vice Chairman

Kuwait Cement Company - K.S.C. (Public)
And its Subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of income for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinars)

	Note	2022	2021
Sales		68,581,751	51,005,836
Cost of sales	19	(66,636,812)	(50,154,064)
Gross profit		1,944,939	851,772
Net income from other activities	20	225,838	449,687
Selling, general and administrative expenses		(3,699,000)	(3,702,806)
Operating loss		(1,528,223)	(2,401,347)
Provision for expected credit losses no longer required / (charged)	11	862,665	(189,399)
Finance charges		(2,180,220)	(1,707,047)
Interest income		5,470	25,358
Net investment income	21	5,861,169	788,033
Group's share in associates' business results	7	647,472	783,337
Profit / (loss) for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		3,668,333	(2,701,065)
Contribution to Kuwait Foundation for the Advancement of Sciences		(28,643)	-
Net profit / (loss) for the year		3,639,690	(2,701,065)
Attributable to:			
The Parent Company's Shareholders		3,639,496	(2,692,706)
Non-controlling interests		194	(8,359)
Net profit / (loss) for the year		3,639,690	(2,701,065)
Basic and diluted earnings / (loss) per share (fils)	22	5.10	(3.78)

The accompanying notes form part of the consolidated financial statements.

Kuwait Cement Company - K.S.C. (Public)
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شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of income and other comprehensive income for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinars)

	Note	2022	2021
Net profit / (loss) for the year		3,639,690	(2,701,065)
Other comprehensive (loss) / income items:			
Items that may be reclassified subsequently to the consolidated statement of income:			
Group's share of associates' reserves	7	(608)	165,597
Differences of foreign currency translation		-	177
Items that may not be subsequently reclassified to the consolidated statement of income:			
Changes in fair value of financial assets at fair value through other comprehensive income		(8,034,349)	28,742,053
Total other comprehensive (loss) / income for the year		(8,034,957)	28,907,827
Total comprehensive (loss) / income for the year		(4,395,267)	26,206,762
Attributable to:			
The Parent Company's Shareholders		(4,385,724)	26,185,837
Non-controlling interests		(9,543)	20,925
Total comprehensive (loss) / income for the year		(4,395,267)	26,206,762

The accompanying notes form part of the consolidated financial statements.

Kuwait Cement Company - K.S.C. (Public)
And its Subsidiaries
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شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of changes in equity for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company													
	Share capital	Share premium	Treasury shares	Profits on sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Investments revaluation reserve	Group's share in associates' reserves	Foreign currency translation reserve	(Accumulated losses) / retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2021	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(14,590,317)	(176,209)	107,677	(5,606,536)	175,884,463	148,103	176,032,566
Net loss for the year	-	-	-	-	-	-	-	-	-	-	(2,692,706)	(2,692,706)	(8,359)	(2,701,065)
Other comprehensive income for the year	-	-	-	-	-	-	-	28,712,769	165,597	177	-	28,878,543	29,284	28,907,827
Total other comprehensive income / (loss)	-	-	-	-	-	-	-	28,712,769	165,597	177	(2,692,706)	26,185,837	20,925	26,206,762
Transferred from disposal of investments	-	-	-	-	-	-	-	(12,419,777)	-	-	12,419,777	-	5,270	5,270
The Group's share from the transferred to retained earnings in associates	-	-	-	-	-	-	-	-	-	-	20,108	20,108	-	20,108
Change in Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	554	554
Balance as at 31 December 2021	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	1,702,675	(10,612)	107,854	4,140,643	202,090,408	174,852	202,265,260
Net profit for the year	-	-	-	-	-	-	-	-	-	-	3,639,496	3,639,496	194	3,639,690
Other comprehensive loss for the year	-	-	-	-	-	-	-	(8,024,612)	(608)	-	-	(8,025,220)	(9,737)	(8,034,957)
Total other comprehensive (loss) / income	-	-	-	-	-	-	-	(8,024,612)	(608)	-	3,639,496	(4,385,724)	(9,543)	(4,395,267)
Transferred from disposal of investments	-	-	-	-	-	-	-	(930,155)	-	-	930,155	-	2,732	2,732
The Group's share from the transferred to retained earnings in associates	-	-	-	-	-	-	-	-	-	-	20,108	20,108	-	20,108
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	-	-	(3,564,868)	(3,564,868)	-	(3,564,868)
Balance as at 31 December 2022	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(7,252,092)	(11,220)	107,854	5,165,534	194,159,924	168,041	194,327,965

The accompanying notes form part of the consolidated financial statements.

Kuwait Cement Company - K.S.C. (Public)
And its Subsidiaries
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شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of cash flows for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinars)

	2022	2021
Cash flows from operating activities		
Net profit / (loss) for the year	3,639,690	(2,701,065)
Adjustments:		
Depreciation and amortization	3,830,585	5,669,244
Gains on sale of property, plant and equipment	(48,405)	(3,284)
Provision for expected credit losses (no longer required) / charged	(862,665)	189,399
Finance charges	2,180,220	1,707,047
Net investment income	(5,997,251)	(909,406)
Interest income	(5,470)	(25,358)
Group's share in associates' business results	(647,472)	(783,337)
Provision for employees' end of service indemnity	18,073	106,482
Net operating profit before working capital changes	2,107,305	3,249,722
Inventories	(8,715,109)	1,776,447
Accounts receivable and other debit balances	(3,232,722)	1,922,002
Accounts payable and other credit balances	(620,979)	(67,052)
Net cash (used in) / generated from operating activities	(10,461,505)	6,881,119
Cash flows from investing activities		
Paid for purchase of property, plant and equipment	(793,892)	(459,559)
Proceeds from sale of property, plant and equipment	71,128	5,540
Paid for purchase of financial assets at fair value through other comprehensive income	(13,679,932)	(19,114,654)
Proceeds from sale of financial assets at fair value through other comprehensive income	5,690,615	25,543,137
Paid for purchase of financial assets at fair value through profit or loss	(3,061,607)	(5,828,544)
Proceeds from sale of financial assets at fair value through profit or loss	11,239,299	-
Dividends income received	4,016,237	1,304,828
Interest income received	5,470	25,358
Net cash generated from investing activities	3,487,318	1,476,106
Cash flow from financing activities		
Withdrawn from loans, bank facilities and Murabaha	39,800,000	19,000,000
Paid for loans, bank facilities and Murabaha	(29,321,077)	(28,712,990)
Finance charges paid	(2,055,225)	(1,571,374)
Lease liabilities paid	(636,171)	(729,122)
Dividends paid	(3,566,424)	(54,274)
Net change in non-controlling interests	-	554
Net cash generated from / (used in) financing activities	4,221,103	(12,067,206)
Net decrease in cash and cash equivalents	(2,753,084)	(3,709,981)
Cash and cash equivalents at beginning of the year	11,476,986	15,186,967
Cash and cash equivalents at end of the year (Note 12)	8,723,902	11,476,986

The accompanying notes form part of the consolidated financial statements.

1. Incorporation and activity

Kuwait Cement Company - Kuwait Public Shareholding Company "the Parent Company" incorporated as per the Amiri Decree issued on 5 November 1968. The Parent Company's shares were listed on Kuwait Stock Exchange dated 29 September 1984.

The Parent Company's objectives are as follows:

1. Establishing a project for the production of ordinary cement, sulphate-resisting portland cement and portland cement for industrial purposes and all kinds of cement at large.
2. Construction of factories and laboratories needed for achieving the Company's objectives.
3. Dealing in all types of products, materials, tools, and machinery relating to the Company's activity and transferring them locally or abroad and importing and selling of aggregates inside or outside the State of Kuwait.
4. The Company may have interests or participate in any suitable way with entities or companies conducting similar activities or which may assist it in achieving its objectives in Kuwait or abroad. It may as well acquire such entities or affiliate them, and participate in incorporation of real estate companies.
5. Utilize the financial surpluses available with the Company by investing the same locally and internationally in securities and real estate portfolios with different types and purposes.
6. Investment of the Company's funds through participating in the incorporation of companies of all types and with different purposes and in investment funds inside and outside the State of Kuwait.
7. Producing clinker material in all its different types, selling and exporting inside or outside the State of Kuwait.
8. Importing chemical materials for use in the production of clinker and cement.

The Company may practice the abovementioned activities inside the State of Kuwait and abroad either in its own name or by proxy. It may practice similar, supplementary, necessary or related business to the stated objectives.

The Parent Company's headquarters is located at Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2022 were authorized for issue by the Parent Company's Board of Directors on 14 March 2023, and it is subject to the approval of the Shareholders' General Assembly. The Annual General Assembly of the Parent Company's Shareholders has the authority to amend these consolidated financial statements after their issuance.

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

a) New standards, interpretations and amendments effective from 1 January 2022

The accounting policies used in preparation of the consolidated financial statements are consistent with those used in the previous year ended 31 December 2021 except for the changes due to implementation some of the new and amended International Financial Reporting Standards as at 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that was issued but not yet effective.

Several amendments have been applied for the first time in 2022, but they do not have an impact on the consolidated financial statements of the Group.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

a) New standards, interpretations and amendments effective from 1 January 2022 (Continued)

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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

These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 3: Reference to the Conceptual Framework
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

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

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e. to business combinations that occur after the beginning of the annual reporting period in which it first applies the amendments (date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets and contingent liabilities within the scope of these amendments arisen during the period.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in the statement of income.

In accordance with transitional provisions, the Group applies the amendments retrospectively only to items of property, plant and equipment that are available for use on or after the beginning of the first period presented when the entity first applies the amendment (the date of initial application).

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

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

a) New standards, interpretations and amendments effective from 1 January 2022 (Continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

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

b) Standards and amendments issued but not yet effective

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards, if applicable, when they become effective.

IFRS 17: Insurance Contracts
This standard will be effective for annual periods beginning on or after 1 January 2023 and replaces IFRS 4 - "Insurance Contracts". The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (Variable fee approach).
- A simplified approach (premium allocation approach) mainly for short duration contracts.

Early application is permitted provided that the Group also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not expected to have any impact on the consolidated financial statements of the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retroactively.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

b) Standards and amendments issued but not yet effective (Continued)

Annual Improvements to IFRS Standards 2018-2020 cycle

The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 16 "Leases": Lease Incentives
The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS (1) and IFRS Practice Statement (2)
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides 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.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and Companies Law No. 1 of 2016 and its executive regulations, as amended.

3. Significant accounting policies (Continued)

3.2 Basis of preparation

The consolidated financial statements are prepared on basis of historical cost except for financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss, which are carried at fair value. These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional and presentation currency once the consolidated financial statements are prepared.

The preparation of consolidated financial statements in compliance with the adopted IFRS requires the use of certain estimates, assumptions, and judgments in applying the Group's accounting policies. The areas of significant judgments and estimates made in preparing the consolidated financial statements and their effect are disclosed in Note 4.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.3 Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and its following subsidiaries (together referred to as "the Group").

Name of the Company	Activity Principal	Country of Incorporation	Percentage of ownership (%) 2022	2021
Shuwaikh Cement Company - K.S.C.C	Industrial	State of Kuwait	99.250	99.250
Amwaj Real Estate Company - K.S.C.C	Real Estate	State of Kuwait	96.000	96.000
Kuwait Cement Ready-mix Company - K.S.C.C	Industrial	State of Kuwait	99.844	99.844

The Group consolidated its subsidiaries based on the audited financial statements as at 31 December 2022.

The subsidiaries' total assets amounted to KD 28,495,944 as at 31 December 2022 (2021: KD 31,566,116) and their net losses amounted to KD 1,487,304 for the year ended 31 December 2022 (2021: net losses amounted to KD 1,121,462).

The consolidated financial statements incorporate the financial statements of the Parent Company and subsidiaries controlled by the Parent Company. Control exists when the Parent Company has: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, revenues and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or consolidated other comprehensive income from the date the Company gains control until the date when Company ceases to control the subsidiary.

3. Significant accounting policies (Continued)

3.3 Basis of consolidation (Continued)

Subsidiaries (Continued)
Profit or loss and each item of income and other comprehensive income items are distributed to the shareholders of the Company and to the non-controlling interests. Comprehensive income of subsidiaries is attributed to the shareholders of the Company or to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-Group transactions, balances, revenues and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the controlling interests and the non-controlling interests are adjusted to reflect the changes in their interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is stated in the consolidated statement of income and is calculated as the difference between:

a) The aggregate of the fair value of the consideration received and the fair value of any retained interest and
b) The carrying amount of the assets before disposed (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in consolidated statement of other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 9, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations
Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed in a business combination are initially recognised at fair value, except deferred tax assets and liabilities, equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

3. Significant accounting policies (Continued)

3.3 Basis of consolidation (Continued)

Business combinations (Continued)
Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in consolidated statement of income as profit.

Non-controlling interest in acquired subsidiary is measured either at the non-controlling interest's proportionate in the acquiree's identifiable net assets or at fair value of such interest. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in the consolidated statement of other comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were disposed of.

Goodwill
Goodwill arising on an acquisition of subsidiaries is carried at cost as established at the date of acquisition less impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance.

3. Significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

Property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives, except for kiln equipment (included in machinery and equipment), which is depreciated using the units of production method as follows:

	Useful life
Buildings	5 - 50 years
Machinery and equipment (except kiln equipment)	7 - 50 years
Transportation, computers & furniture	1-7 years

During the year ended 31 December 2022, the Group's management conclude that there is significant change in the expected consumption patterns for future economic benefits related to the kiln equipment with a carrying value of KD 81,324,320 as at 1 January 2022. Accordingly, the Parent Company's Board of Directors approved on 29 December 2022 to change the depreciation method for these components to reflect the changed pattern, from straight-line method to the units of production method. The change in depreciation has been accounted for as a change in the accounting estimate. This result in a decrease in the depreciation amount allocated to the cost of sales by KD 1,591,027 for the year ended 31 December 2022.

The asset's residual values, useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Should the estimated useful lives of a property, plant and equipment be changed, such lives are changed at beginning of the financial year of change without retroactivity.

The carrying amount of property, plant and equipment is reviewed at each consolidated statement of financial position date to determine whether there is any indication of impairment in this carrying value. If any such indication exists, an impairment loss is recognized in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount of asset is the greater of their fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Profits or losses on disposals are determined by the difference between net sale proceeds and net carrying amount of the asset and is recognised in the consolidated statement of income.

Work in progress is included in property, plant and equipment in the consolidated statement of financial position until they are completed and ready for their intended use, at that time, they are reclassified under similar assets and the depreciation commences.

3.5 Intangible assets

Intangible assets with definite life, which are separately acquired, are carried at cost less accumulated amortization and impairment losses if any. Amortization is charged on a straight-line basis over the estimated useful lives.

3. Significant accounting policies (Continued)

3.5 Intangible assets (Continued)

The useful live and amortization methods are reviewed at the end of each financial year. Changes in estimations are accounted for as at the beginning of the financial year in which the change occurred.

Intangible assets with infinite life, which are separately acquired, are carried at cost less impairment losses if any.

Intangible assets are removed on disposal or when it is proved that there will not be any future benefit resulting from use of these assets. The profit or loss resulting from disposal are measured by the difference between the net proceeds and carrying value of the disposed asset and are then recorded in the consolidated statement of income.

3.6 Investment properties

Properties that is held for long-term rental terms or for capital appreciation or both, and that is not occupied by the Group, is classified as investment properties. Investment properties also include properties that is being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. Transaction costs include professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met.

Investment properties is recorded at cost less accumulated depreciation and impairment in value, if any. Land is not depreciated. Building is depreciated using the straight-line method over its estimated useful lives of 10-20 years.

Investment properties is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on the disposal of investment property are determined as the difference between the carrying amount and the net disposal proceeds. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in the use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

3.7 Investment in associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates is accounted for using the equity method.

3. Significant accounting policies (Continued)

3.7 Investment in associates (Continued)

The Group calculated its share of its investment in associates based on financial statements as at 30 September 2022, with making the amendments related to any material transactions made during the period from 1 October to 31 December 2022 (if any).

Under the equity method, the investment in associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of operations of the associate.

Any change in statement of other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised profit and losses resulting from transactions between the Group and its associates are eliminated to the extent of the interest in the associate. The aggregate of the Group's share of results of an associate is shown on the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associates. At the date of each consolidated financial statements, the Group determines whether there is objective evidence that the investment in an associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Impairment of an associate in the consolidated statement of income.

When the Group loses significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of income.

3.8 Impairment of tangible and intangible assets other than goodwill

The tangible and intangible assets are reviewed annually to determine whether there is any indication that those assets have suffered impairment in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The net recoverable amount is determined at the higher of an asset's fair value less costs to sell or value in use.Impairment losses are recognised in the consolidated statement of income for the year in which they arise. When an impairment is written back, the impairment is reversed to the extent of net carrying amount of the asset if no impairment was recognised. A reversal of an impairment loss is recognised directlly in the consolidated statement of income.

3. Significant accounting policies (Continued)

3.9 Financial instruments

A financial asset or liability is recognised when the Group becomes a party to the contractual provisions of such instrument.

All regular way purchases and sales of financial assets are recognized using trade date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of income or in the consolidated statement of income and other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by laws or conventions in the market place.

A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the Group's obligation specified in the contract is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

All financial assets are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified at fair value through profit or loss. Transaction costs on financial assets carried as financial assets at fair value through profit or loss are recognised in the consolidated statement of income.

Classification and measurement of the financial assets and liabilities

Financial assets
The Group determines classification and measurement category of financial assets based on a combination of the entity's business model for managing the assets and the instrument's contractual cash flow characteristics except for equity instruments and derivatives.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3. Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

Contractual cash flow assessment
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and to sell the financial instrument, the Group assesses whether the financial instrument's cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of 'interest' within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and interest margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets are classified into following categories under IFRS 9:

- Amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss;

Amortized cost

The Group classifies financial assets at amortized cost if they meet the following conditions and is not designated at fair value through profit or loss:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Fair value through other comprehensive income

Equity instruments carried at fair value through other comprehensive income
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at fair value through other comprehensive income if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation, and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Equity instruments carried at fair value through other comprehensive income are subsequently measured at their fair value. Changes in fair value including foreign exchange gains and losses are recognised in other comprehensive income. Dividends are recognized in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments carried at fair value through other comprehensive income.

3. Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

Financial assets (Continued)

Fair value through other comprehensive income (Continued)

Equity instruments carried at fair value other comprehensive income (Continued)
Not subject to impairment testing. Upon disposal, cumulative gains or losses are reclassified from other comprehensive income to retained earnings in the consolidated statement of changes in equity.

Fair value through profit or loss

Financial assets whose business model is to acquire and sell, or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified at fair value through profit or loss.

In addition to the above, on initial recognition, the Group may irrevocably classify the financial assets that otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income as carried at fair value through profit or loss. If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated statement of income. Interest income and dividends are recognised in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets
The Group applied the simplified approach and measure the loss allowance for receivables balances at an amount equal to lifetime ECLs. The expected credit losses on receivables balances are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off receivables balances when there is information indicating that the debtor is in financial difficulties and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The Group applies the general approach to providing for expected credit losses prescribed by IFRS 9, for financial instruments in cash and bank balances. The Group uses external rating agency credit grades for assessing credit risk on these financial assets and these published grades are continuously monitored and updated.

3. Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest rate method or fair value through consolidated statement of income.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not classified under the following items, are subsequently measured at amortized cost using the effective interest method:

1) Contingent cash consideration in a business combination;
2) Held for trading;
3) Classified at fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains or expenses" line item in consolidated statement of income for financial liabilities that are not part of a designated hedging relationship.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously.

3. Significant accounting policies (Continued)

3.10 Inventories

Inventories are held at lower of cost and net realisable value. Raw materials cost is determined on a weighted average cost basis. The cost of finished goods and goods in process includes direct materials, direct labor and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling prices less all the estimated costs to make the sale.

3.11 Employees' end of service indemnity

The Group is liable under Kuwait Labor Law to make payments under defined benefit plans to employees at termination of employment. Regarding non-Kuwaiti employees in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. This liability is un-funded and is computed based on amount payable that would arise on involuntary termination of all employees on the consolidated financial statements date. The management expects this method to produce a reliable approximation of the present value of the Group's liability.

3.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.13 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, profits are credited to a separate account in equity "treasury shares reserve" which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium respectively. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in share premium, reserves, retained earnings and treasury shares reserve respectively. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

3. Significant accounting policies (Continued)

3.14 Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Kuwaiti Dinars ("KD").

Transactions and balances
Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated financial statements date.

Foreign exchange profits and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

Group's companies
The results and financial position of all the Group's companies that have a functional currency different from the presentation currency (except those companies that operate in countries with high inflation rate) are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated financial statements;
- Income and expenses for each consolidated statement of income are translated at average exchange rate.
- All resulting exchange differences are recognised as a separate component of the statement of equity.

3.15 Revenue recognition

Revenues from contracts with customers are recognized when the entity meets performance obligation through transferring the promised goods or services to the customer. Such goods or services are considered transferred when the customer has control over these goods or services at point in time or over time. Revenues are measured at the consideration expected to be received by the entity having the right to do so against transferring the promised good or service to the customer, except for the amounts collected on behalf of third parties. The consideration promised in a contract with the customer includes fixed or variable amounts or both of them.

Group's revenue streams arise from the following activities:

Sale of goods
Revenue from sale of goods is recognized at point in time, when the entity satisfies the performance obligation, and when the control over the goods is transferred to the customer. Control is transferred at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when the goods, which have been previously purchased by the customer, are shipped to the specific location and the risks of obsolescence and loss are transferred to the customer. This represents the point in time at which the right to collect outstanding receivables becomes unconditional, i.e. such amounts are due directly when the purchase is made.

3. Significant accounting policies (Continued)

3.15 Revenue recognition (Continued)

Dividends income
Dividend income is recognized when the Group's right to receive payment is established.

Interest income
Interest income is recognized on time proportion basis using the effective interest method.

Leases
Rental income on operating leases is recognised over the term of the lease on a straight-line basis.

Other income
Other income are recognized at point in time or over time, once such service is rendered or upon completing the service according to its nature.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 Government grants

The government grants are recognized when there is a reasonable assurance that the grant will be received and all accompanied conditions will be fulfilled. When the grant relates to an expense item, it is deducted from the related expenses on a systematic basis over the periods that the related costs, for which it is intended to compensate. When the grant relates to an asset, it is recognized as revenues at equal amounts over the expected useful life of the related asset.

When the Group receives grants from non-cash assets, the asset and grant are recognized at the nominal values and are released yearly in equal installments on the profits or losses over the expected useful life of the asset based on the depreciation pattern of the related asset's features.

3.18 Accounting for leases

When the Group is the lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right of use asset and a corresponding lease liability at the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received.
- any initial direct costs; and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

3. Significant accounting policies (Continued)

3.18 Accounting for leases (Continued)

When the Group is the lessee (Continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with short term leases and leases of low-value assets are recognized on a straight-line basis as an expense in consolidated statement of income.

Whenever the Group incurs an obligation for costs to remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent measurement
Generally, in order for reclassification to be made, the Group, after the commencement date, measures the right-of-use asset at cost less accumulated depreciation and impairment losses. The depreciation is calculated on a straight-line basis over the shorter of the asset's estimated useful life or the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the consolidated statement of income. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

3. Significant accounting policies (Continued)

3.18 Accounting for leases (Continued)

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statement of income over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the lessor shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

When the Group is the lessor
Leases in which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the lease is classified as a finance lease.

All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

When a lease includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the lease to each component.

3.19 Contribution to Kuwait Foundation for the Advancement of Sciences

Contribution to Kuwait Foundation for the Advancement of Sciences "KFAS" is calculated at 1% of the profit attributable to shareholders of the Parent Company before deducting the contribution to KFAS, NLST, Zakat provision and directors' remuneration, and after excluding the Parent Company's share from profits of the Kuwaiti shareholding subsidiaries and associates, and transfer to statutory reserve account.

3. Significant accounting policies (Continued)

3.20 National Labour Support Tax

NLST is calculated at 2.5% of the profit attributable to shareholders of the Parent Company before deducting KFAS, NLST, Zakat provision and directors' remuneration, and cash dividends received from companies listed in Boursa Kuwait, this is in accordance with Law No. 19 of 2000 and Ministerial Order No. 24 of 2006 and its implementing executive rules. No NLST has been calculated for the financial year ended 31 December 2022, since there was no taxable profit, based on which NLST could be calculated.

3.21 Contribution to Zakat

Zakat contribution is calculated at 1% of the profit attributable to shareholders of the Parent Company before deducting KFAS, NLST, Zakat provision and directors' remuneration, and after excluding the Company's share from profits of the Kuwaiti shareholding subsidiaries and associates, also Zakat share paid by the Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies. This is in accordance with Law No. 46 of 2006 and Ministerial Order No. 58 of 2007 and its implementing executive rules. No contribution to Zakat has been calculated for the financial year ended 31 December 2022, since there was no financial profit, based on which Zakat contribution could be calculated.

3.22 Dividends

The Group recognizes cash and non-cash dividends to the Shareholders of the Parent Company as liabilities when such dividends are finally approved, and when decision on such dividends is no longer at the discretion of the Group. Such dividends are approved when they are agreed upon by the annual general assembly of the Parent Company's shareholders, and value of such dividends is recognized in equity.

The non-cash dividends are measured at fair value of assets that will be distributed, along with recognizing result of the re-measurement at fair value directly in equity. When distributing such non-cash dividends, the difference between the carrying value of that liability and the carrying value of the distributed assets is recognized in the consolidated statement of income.

Dividends approved after the consolidated financial statements date are disclosed as events subsequent to the consolidated statement of financial position date.

3.23 Financial risk management

Financial risk
The activities of the Group expose it to a set of financial risks, which are market risk, which include (foreign currency risk and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from the change in interest rates, and price risk) in addition to credit risk and liquidity risk.

The Group's management for these financial risks is concentrated in the continuous evaluation of market conditions and trends and the management's assessment of the changes to long and short-term market factors.

3. Significant accounting policies (Continued)

3.23 Financial risk management (Continued)

Financial risk (Continued)

a) Market risk

Market risk, comprising of foreign exchange risk, interest rate risk and equity price risk arises due to movements in foreign currency rates, interest rates and market prices of assets.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will be affected as a result of changes in foreign currency exchange rates.

The Group is exposed to foreign currency risk resulting primarily from dealing with financial instruments in US Dollar. The foreign currency risk results from future transactions and from the assets and liabilities denominated with different currency other than the functional currency. The Group has set policies to manage foreign currency risk represented in close monitoring of the change in currency rate, in addition to monitoring the effect of such changes on the financial position of the Group. Also, the use of hedging instruments to cover for the exchange rate risk of some foreign currencies over the year.

The Group is exposed to foreign currency risk resulting primarily from translation of assets and liabilities in foreign currency such as cash and cash equivalents, accounts payable, loans, bank facilities and Murabaha.

The following is the value of net positions of US Dollar as at the consolidated financial statements date:

	2022	2021
Net positions of US Dollar	(387,697)	(2,934,446)

In case the US Dollar decrease / increase by 5% against the Kuwaiti Dinar, while all other variables are held constant, the Group's net profits will increase/decrease by KD 19,385 for the year ended 31 December 2022 (2021: KD 146,722).

Price risk

The Group is exposed to price risk through its investments classified in the consolidated financial statements as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The Group manages this risk by diversifying its investments on the basis of pre-determined asset allocation across various categories, continuous appraisal of market conditions and trends and management's estimate of long term changes in fair value. In addition, the Group keeps its investments at specialised investment companies which manage these investments.

The Group monitors the management of the investment portfolios through monthly periodic reports provided by the portfolio managers of these portfolios and takes the necessary actions when required to minimise the expected market risk of these investments.

The table below summarizes the impact of the decrease in the Kuwait Stock Exchange "KSE" index on the consolidated statement of income and consolidated statement of other comprehensive income. This analysis is based on the assumption that the KSE changes by ±5% with all other variables held constant.

3. Significant accounting policies (Continued)

3.23 Financial risk management (Continued)

Financial risk (Continued)

a) Market risk (Continued)

	Effect on consolidated statement of comprehensive income	
	2022	2021
Financial assets at fair value through other comprehensive income	4,110,408	3,966,271
Financial assets at fair value through profit or loss	-	290,745

Cash flow and fair value fluctuation risk resulting from the change in interest rate

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 rate.
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are independent of interest rate risks.

The Group's interest rate risk arises from long-term borrowings. The Group has floating and fixed interest bearing loans.

Financial instruments with fixed interest rates expose the Group to fair value interest rate risks. Financial instruments with variable interest rates expose the Group to the risk of fluctuations in cash flows resulting from the change in interest rates.

The Group analyses its interest rate exposure on a dynamic basis. Available scenarios are considered by the Group, taken into consideration the ability for refinancing and renewal of existing and alternative borrowings.

At 31 December 2022, if the interest rate on US Dollar borrowings, bank facilities, and Murabaha had been at 0.20% higher, with all other variables held constant, net profits for the year would have been lower of KD nil (2021: KD 5,257).

b) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of the debit balances on an ongoing basis. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. Furthermore: Debit balances are monitored on an ongoing basis. Accordingly, the Group's exposure to bad debts is insignificant.

3. Significant accounting policies (Continued)

3.23 Financial risk management (Continued)

Financial risk (Continued)

b) Credit risk (Continued)

Cash and cash equivalents
The Group's cash and cash equivalents measured at amortized cost are considered to have a low credit risk and the loss allowance is calculated based on the 12 months expected loss. Cash at banks and cash at portfolios are placed with high credit rating financial institutions with no previous history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Trade receivables
The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis respectively and classified based on shared credit risk characteristics and the days past due.

The expected losses rates are based on the payment profile of income or ageing customers. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the outstanding amount. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the period of consolidated financial statements.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

Set out below is the information about the credit risk exposure on trade receivables and other receivables:

	2022		
	Gross carrying amount at default	**Average expected credit losses rate**	**Lifetime ECLs**
Ageing of receivables			
Less than 30 days	6,163,577	1.63%	100,227
30 to 60 days	2,409,484	5.16%	124,430
61 to 90 days	1,717,004	9.05%	155,368
91 to 180 days	4,199,726	48.66%	2,043,747
More than 180 days	7,084,414	59.17%	4,191,972
	21,574,205		6,615,744

3. Significant accounting policies (Continued)

3.23 Financial risk management (Continued)

Financial risk (Continued)

b) Credit risk (Continued)

	2021		
	Gross carrying amount at default	Average expected credit losses rate	Lifetime ECLs
Ageing of receivables			
Less than 30 days	4,930,499	3.24%	159,559
30 to 60 days	1,245,659	4.32%	53,780
61 to 90 days	1,227,817	5.92%	72,687
91 to 180 days	2,453,850	27.81%	682,376
More than 180 days	10,636,660	61.20%	6,510,007
	20,494,485		7,478,409

c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The ultimate responsibility of managing the liquidity risk is kept with the board of directors. The Group manages the liquidity by keeping appropriate reserves and obtaining bank credit facilities. As well as it continuously monitors the expected and actual cash flows and a comparison of maturity dates of financial assets and liabilities.

The following are the maturity dates of liabilities as of 31 December:

	2022			
	Within one year	**More than one up to three years**	**More than three years**	**Total**
Loans, bank facilities and Murabaha	9,343,858	46,821,816	18,154,024	74,319,698
Accounts payables and other credit balances (excluding advance payments)	17,573,360	-	-	17,573,360
Lease liabilities	487,843	1,565,389	784,997	2,838,229

	2021			
	Within one year	More than one up to three years	More than three years	Total
Loans, bank facilities and Murabaha	18,351,507	40,454,617	5,000,000	63,806,124
Accounts payables and other credit balances (excluding advance payments)	17,667,382	-	-	17,667,382
Lease liabilities	487,931	1,515,397	1,345,565	3,348,893

3. Significant accounting policies (Continued)

3.24 Capital risks

The Group manages its capital to ensure that the Group's companies will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (loans, bank facilities and Murabaha offset by cash and cash equivalents) and equity. The Group aims to keep gearing ratio to total capital ranging from 20% to 30% determined as the proportion of net debt to total capital.

The following shows the net debt to total capital as at 31 December:

	2022	2021
Loans, bank facilities and Murabaha	74,319,698	63,806,124
Less: cash and cash equivalents	(8,723,902)	(11,476,986)
Net debt	65,595,796	52,329,138
Total equity attributable to shareholders of the Parent Company	194,159,924	202,090,408
Total share capital	259,755,720	254,419,546
Net debt to total capital ratio (%)	25.25%	20.57%

3.25 Fair value estimation

The fair values of financial assets and liabilities are estimated as follows:
- Level 1: Quoted prices in active markets for quoted financial instruments.
- Level 2:Quoted prices in active markets for similar instruments. Quoted prices in inactive markets for similar assets or liabilities. Valuation techniques based on observable inputs other than quoted prices of financial instruments.
- Level 3: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of the financial assets and liabilities are determined:

Financial assets	Fair value As at 31 December 2022	Fair value As at 31 December 2021	Fair value level	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income:						
Quoted securities	82,208,165	79,325,423	First	Last bid price	None	None
Funds and portfolios	10,596,485	12,561,296	Second	Net asset value	None	None
Unquoted securities	6,946,367	7,906,598	Third	Based on the revised NBV or on the basis of the last transaction	Liquidity discount	The higher the discount rate, the lower the value
Financial assets at fair value through profit or loss:						
Quoted securities	-	5,814,900	First	Last bid price	None	None

The fair value of the other financial assets and liabilities approximate their carrying amounts as at the date of the consolidated financial statements.

4. Significant accounting judgments and estimation uncertainty

In the application of the Group's accounting policies, the management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects both current and future periods. The following are the assumptions concerning the future, that may result in a significant risk of causing material adjustments to the assets and liabilities within the next financial years.

Accounting judgments

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

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Determination whether matching the criteria of revenue recognition in accordance with IFRS 15 and the policy of revenue recognition disclosed in Note No. (3.15) require significant judgments.

Classification of investments in equity instruments - IFRS 9

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through the profit or loss" or "at fair value through other comprehensive income". The Group follows the requirements of IFRS 9 on classifying its investments.

Determining the lease term with renewal and termination options - when the Group is the lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Under certain leases, the Group has the option to lease the assets for additional periods. The Group uses judgments to assess whether the option will be reasonably certain practiced. That is, it considers all the relevant factors that provide an economic incentive to exercise the renewal option. Subsequent to the commencement of lease, the Group revalues the lease term if there is a significant event or change in circumstances that falls within the scope of Group's control and affects its ability to exercise (or not exercise) the renewal option (such as a change in the business strategy).

Discounting of lease payments

The lease payments are discounted using the incremental borrowing rate ("IBR"). At initial adoption of IFRS 16 "Leases", the management has applied judgments and estimates to determine the incremental borrowing rate.

4. Significant accounting judgments and estimation uncertainty (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of consolidated financial statement, that have a significant risk of causing a material adjustment to the accounts of assets and liabilities in the consolidated financial statements for the next year, are described below: the Group's estimates and assumptions are based on indicators 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.

Impairment of non-financial assets
The Group reviews the carrying amounts of its non-financial assets to determine whether there is any objective evidence that those assets have suffered an impairment loss in accordance with accounting policies. The recoverable amount of an asset is determined based on higher of fair value and value in use. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives and the related depreciation for property, plant and equipment. Group's management increased the depreciation charge where the useful lives are lower than previously estimated lives. The Group eliminates or writes down obsolete or non-strategic assets which have been disposed or sold.

Fair value measurement and valuation techniques
Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the consolidated financial statements. Group management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate. Information regarding the required valuation techniques and inputs used to determine the fair value of assets and liabilities is disclosed in (Note 3.25).

Impairment of financial assets
The Group assesses whether the credit risk associated with financial assets and other items has increased substantially since the initial recognition in order to determine whether the expected credit loss for the 12-month period or expected credit loss over the lifetime of the financial instrument should be recognized (Note 3.23).

Contingent liabilities
Contingent liabilities arise as a result of past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events that are not included in full within control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated.
The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

5. Property, plant and equipment

	Land and buildings	Machinery and equipment	Motor vehicles, computers & furniture	Projects in Progress	Total
Cost:					
As at 1 January 2021	57,183,543	210,339,006	17,460,495	2,779,639	287,762,683
Additions	15,755	43,993	11,194	388,617	459,559
Transfers	434,413	2,211,505	-	(2,645,918)	-
Disposals	-	(5,942)	(20,344)	-	(26,286)
As at 31 December 2021	57,633,711	212,588,562	17,451,345	522,338	288,195,956
Additions	44,305	41,336	108,099	600,152	793,892
Transfers	804,169	111,380	51,118	(966,667)	-
Disposals	-	(11,760)	(169,894)	-	(181,654)
As at 31 December 2022	58,482,185	212,729,518	17,440,668	155,823	288,808,194
Accumulated depreciation:					
As at 1 January 2021	32,005,491	110,998,689	8,547,383	-	151,551,563
Charged for the year	1,002,765	3,167,006	1,000,748	-	5,170,519
Disposals	-	(5,940)	(18,090)	-	(24,030)
As at 31 December 2021	33,008,256	114,159,755	9,530,041	-	156,698,052
Charged for the year	1,005,177	1,388,256	938,427	-	3,331,860
Disposals	-	(11,259)	(147,672)	-	(158,931)
As at 31 December 2022	34,013,433	115,536,752	10,320,796	-	159,870,981
Net carrying value:					
As at 31 December 2022	24,468,752	97,192,766	7,119,872	155,823	128,937,213
As at 31 December 2021	24,625,455	98,428,807	7,921,304	522,338	131,497,904

5. Property, plant and equipment (Continued)

Machinery and equipment includes kiln equipment with carrying value of KD 81,067,067 as at 31 December 2022 (2021: KD 81,324,320).

Some property, plant and equipment located on a lands leased from the State Properties under leases for a term of five years ending 2024 and 2025.

Depreciation has been charged to the consolidated statement of income as follows:

	2022	2021
Cost of sales	3,293,028	5,122,320
Selling, general and administrative expenses	38,832	48,199
	3,331,860	5,170,519

The Group has studied the impairment of property, plant and equipment based on the value in use method. Value in use represents the present value of future cash flows. The Group's management concluded, based on the study, that the recoverable amount exceeds the carrying value of those assets as at 31 December 2022. The following assumptions were used when determining the value in use:

Basic assumption	The basis used to determine the value for the basic assumption
The period of covering financial budgets "years"	5 years
Long-term growth rate	2.7% per annum
Discount rate	5.23% - 7.13% per annum

6. Investment properties

	2022	2021
Cost:		
As at 1 January and 31 December	1,989,744	1,989,744
Accumulated depreciation:		
As at 1 January and 31 December	1,219,103	1,219,103
Carrying amount	770,641	770,641

The fair value of investment properties based on level 2 of fair value measurement as at 31 December 2022 is KD 3,646,500 (2021: KD 3,592,550)

Evaluation is determined by independent valuers authorized by the official authorities, not related to the group. Fair value of investment properties determined based on comparable market prices.

There have been no transfers between levels during the year.

7. Investment in associates

Name of the associate	Country of Incorporation	Voting capital and ownership interest %	Carrying amount 2022	Carrying amount 2021
Kuwait Rocks Co. - K.S.C.C. (Under Liquidation)	State of Kuwait	30.00	-	-
Contracting and Marine Services Company - K.S.C.C.	State of Kuwait	33.39	17,252,492	16,967,298
			17,252,492	16,967,298

The movement of investment in associate are the following:

	2022	2021
Balance at beginning of the year	16,967,298	16,380,034
Group's share in associates' business results	647,472	783,337
Group's share of associates' reserves	(608)	165,597
Group's share from the transfer to the retained earnings	20,108	20,108
Dividends received	(381,778)	(381,778)
	17,252,492	16,967,298

Summarized financial information in respect of the significant associates is as follows:

Contracting and Marine Services Company:	2022	2021
Assets	406,294,094	410,354,784
Liabilities	307,179,176	311,667,658
Non-controlling interests	47,448,836	47,875,113
Revenues	114,900,336	117,430,766
Net profit for the period attributable to shareholders of the Parent Company	1,938,982	2,345,861
Other comprehensive income items for the period	58,397	556,131
Total comprehensive income	1,997,379	2,901,992

8. Financial assets at fair value through other comprehensive income

	2022	2021
Quoted securities	82,208,165	79,325,423
Unquoted securities	6,946,367	7,906,598
Funds and portfolios	10,596,485	12,561,296
	99,751,017	99,793,317

The quoted financial securities include financial assets of KD 47,320,407 as at 31 December 2022 in the shares of National Industries Group Holding - K.P.S.C., which is one of the major shareholders in the Group (2021: KD 37,050,881).

8. Financial assets at fair value through other comprehensive income (Continued)

An analysis of the Group's financial assets at fair value through other comprehensive income along with currencies as at 31 December:

	2022	2021
KD	86,805,580	84,608,046
USD	9,842,527	11,991,729
EUR	1,460,678	1,897,160
GBP	1,239,422	893,572
AED	402,810	402,810
	99,751,017	99,793,317

The fair value of financial assets at fair value through other comprehensive income was determined based on valuation levels in Note (3.25).

9. Leases

The Group as a lessee

The Group leases plot of lands. Leases typically run for a period of five years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Set out below, are the carrying amounts of the Group's right-of-use assets and the movement during the year:

	2022	2021
Cost:		
As at 1 January and 31 December	4,987,252	4,987,252
Accumulated amortization:		
As at 1 January	(1,496,175)	(997,450)
Charge for the year	(498,725)	(498,725)
As at 31 December	(1,994,900)	(1,496,175)
Net carrying value as at 31 December	2,992,352	3,491,077

Below are the amounts recognised in consolidated statement of income:

	2022	2021
Amortization expenses of right-of-use assets	498,725	498,725
Finance cost on lease liabilities	125,507	141,446
Expenses relating to short-term leases (cost of sales)	323,733	417,194
Expenses relating to short-term leases (general, selling and administrative expenses)	45,515	45,855
	993,480	1,103,220

9. Leases (Continued)

Lease liabilities

Lease liabilities are grouped in the consolidated statement of financial position as follows:

	2022	2021
Lease liabilities - non-current portion	2,350,386	2,860,962
Lease liabilities – current portion	487,843	487,931
	2,838,229	3,348,893

Movement in lease liabilities during the year is as follows:

	2022	2021
Balance at beginning of the year	3,348,893	3,936,569
Lease liabilities paid	(636,171)	(729,122)
Finance cost - lease liabilities	125,507	141,446
	2,838,229	3,348,893

The Group as a lessor

The Group leases out its investment properties consisting of its owned commercial properties, all leases are classified as operating leases from the perspective of the lessor.

The rental income recognized by the Group for the year ended 31 December 2022 was KD 93,187 (2021: KD 90,074) (Note 20).

10. Inventories

	2022	2021
Raw materials	17,677,687	9,965,622
Finished goods	727,168	663,034
Spare parts	1,864,140	925,230
	20,268,995	11,553,886

11. Accounts receivable and other debit balances

	2022	2021
Receivables against unconditional bank guarantees	1,740,023	2,536,949
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	958,698	1,011,370
Related parties (Note 25)	518,218	325,385
Other trade receivables	16,343,291	14,635,883
Total trade receivables	19,560,230	18,509,587
Other receivables	2,013,975	1,984,898
Advance payments to suppliers	2,249,915	105,240
	23,824,120	20,599,725
Provision for expected credit losses	(6,615,744)	(7,478,409)
	17,208,376	13,121,316
Prepaid expenses	222,154	188,067
Notes receivables	258,109	283,869
	17,688,639	13,593,252

11. Accounts receivable and other debit balances (Continued)

- The average credit period granted to trade balances is 60-90 days. No interest is charged on trade debit balances.
- The fair value of guarantees received by the Group from the debtors was KD 2,765,300 as at 31 December 2022 (2021: KD 4,145,693).
- The ECLs have been estimated in accordance with the simplified approach as per IFRS 9 (Note 3.23).

The movement on the provision for expected credit loss are the following:

	2022	2021
Balance at beginning of the year	7,478,409	7,310,882
Provision (no longer required) / charged during the year	(862,665)	189,399
Bad debts written-off	-	(21,872)
	6,615,744	7,478,409

12. Cash and cash equivalents

	2022	2021
Cash on hand and at banks	4,936,429	7,965,024
Cash at investment portfolios	3,787,473	3,511,962
	8,723,902	11,476,986

13. Share Capital

The authorized, issued and fully paid up share capital is KD 73,330,387 divided into 733,303,870 shares, each of a nominal value of 100 fils. All shares are cash shares.

14. Treasury shares

	2022	2021
Number of shares (share)	20,330,200	20,330,200
Percentage of issued shares (%)	2.77	2.77
Cost (KD)	13,546,935	13,546,935
Market value (KD)	4,513,304	4,614,955

The Parent Company is committed to keeping reserves, retained earnings and share premium equal to the purchased treasury shares along acquisition period according to the instructions of the concerned regulatory authorities.

15. Statutory reserve

In accordance with the Companies' law and the Parent Company's articles of association, 10% of the profit for the year before KFAS contribution, NLST, Zakat, and board of directors' remuneration, is transferred to the statutory reserve. The Parent Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up capital in years when profit is not sufficient for the payment of such dividend. The transfer to the statutory reserve account has been stopped due to the reserve balance exceeding 50% of the capital of the Parent Company.

16. Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the net profit for the year, before KFAS contribution, NLST, Zakat expense, and board of directors' remuneration, is transferred to the voluntary reserve. There are no restrictions on the distribution of this reserve. The transfer to the voluntary reserve has been discontinued based on a decision of the Shareholders' General Assembly.

17. Loans, bank facilities and Murabaha

	2022	2021
Non-current portion		
Loans	20,826,000	11,720,000
Murabaha	44,149,840	33,734,617
	64,975,840	45,454,617
Current portion		
Loans	2,314,000	4,840,000
Murabaha	7,029,858	13,511,507
	9,343,858	18,351,507
Total loans, bank facilities and Murabaha	74,319,698	63,806,124

The effective annual interest rate on loans, bank facilities and Murabaha was 3.25% per annum as at 31 December 2022 (2021: 2.4% per annum).

Loans, bank facilities and Murabaha are denominated in the following currencies as at 31 December:

	2022	2021
KD	74,319,698	61,178,671
USD	-	2,627,453
	74,319,698	63,806,124

18. Accounts payable and other credit balances

	2022	2021
Trade payables	13,172,765	13,049,132
Accrued interest and expenses	2,548,225	2,969,798
Notes payable	875,365	703,017
Advance payment from customers	3,678,544	4,242,220
Dividends payable	930,545	932,101
Contribution to Kuwait Foundation for the Advancement of Sciences	28,643	-
Retention	3,500	3,500
Other	14,317	9,834
	21,251,904	21,909,602

19. Cost of sales

	2022	2021
Cost of raw materials	54,829,587	40,276,894
Maintenance and spare parts	3,328,289	2,857,499
Salaries and benefits	5,476,463	3,840,149
Depreciations and amortizations	1,697,971	1,866,140
Rent	323,733	417,194
Other	980,769	896,188
	66,636,812	50,154,064

20. Net income from other activities

	2022	2021
Net income from investment properties	93,187	90,074
Net (losses) / profits from exchange differences	(139,513)	12,024
Other income	272,164	347,589
	225,838	449,687

21. Net investment income

	2022	2021
Financial assets at fair value through statement of other comprehensive income		
Cash dividends	3,634,459	923,050
Portfolio management expenses	(136,082)	(121,373)
	3,498,377	801,677
Financial assets at fair value through profit or loss		
Unrealized gain from change in the fair value	39,525	(13,644)
Realized gain from sale	2,323,267	-
	2,362,792	(13,644)
	5,861,169	788,033

22. Basic and diluted earnings / (loss) per share

Basic and diluted earnings / (loss) per share are calculated by dividing the net profit / (loss) attributable to Shareholders of the Parent Company for the year by the weighted average of the number of the existing ordinary shares determined based on number of existing shares of issued capital during the year, taking into account treasury shares. The calculation of basic and diluted earnings / (loss) per share is as follows:

	2022	2021
Net profit / (loss) for the year attributable to the Shareholders of the Parent Company (KD)	3,639,496	(2,692,706)
Weighted average number of outstanding shares during the year (share)	712,973,670	712,973,670
Basic and diluted earnings / (loss) per share (fils)	5.10	(3.78)

23. Staff costs

Staff costs include wages, salaries, leave, end of service's indemnity and other benefits for the Group's staff. The staff costs for the year ended 31 December 2022 is KD 8,139,663 (2021: KD 8,121,716).

24. General Assembly of the Parent Company's Shareholders

On 14 March 2023, the Parent Company's Board of Directors proposed to distribute cash dividends at 5% of paid-up share capital after deducting treasury shares for the year ended 31 December 2022, and not to pay Board of Directors' remunerations for the year ended 31 December 2022.

The Parent Company's General Assembly of Shareholders held on 20 April 2022 approved the consolidated financial statements for the year ended 31 December 2021. It also approved cash dividends of 5 fils per share of the paid share capital after deducting treasury shares to the concerned shareholders as set out in the schedule approved by the Shareholders' General Assembly.

25. Related party transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, associates, and subsidiaries in which the Company has representatives in their board. In the normal course of business, subject to approval of the Group's management, transactions were made with such parties during the year ended 31 December 2022. Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this Note.

Following is a summary of significant related party transactions and outstanding balances:

	2022	2021
Balances included the consolidated statement of financial position:		
Accounts receivable and other debit balances (Note 11)	518,218	325,385
Provision for employees' end of service indemnity	658,252	647,364
Transactions included the consolidated statement of income:		
Sales	919,811	821,496
Committees' fees	184,000	179,000
Executive management salaries and benefits	880,596	568,375

All transactions with related parties are subject to the approval of the Shareholders' General Assembly.

26. Contingent liabilities and capital commitments

	2022	2021
Contingent liabilities		
Letters of guarantee	1,004,544	1,003,225
Capital commitments		
Letters of Credit	789,767	119,090
Uncalled subscription relating to investments in funds	321,972	321,972
Contracts for importing raw materials	3,301,906	4,067,764
Property, plant and equipment	706,664	739,305

26. Contingent liabilities and capital commitments (Continued)

There is a dispute between the Parent Company and a supplier about the financial obligations resulting from the termination of the raw materials supply contract between both parties where that party submitted a financial claim, while Parent Company's management has applied with the Court's judicial arbitration for discharging it from any financial obligations resulting from termination of that contract. During the previous period, a judgment was issued for the release of all the Parent Company's financial obligations towards the supplier. The dispute with the supplier has not been resolved yet and the Parent Company's management believes that the provisions provided are sufficient against all the obligations that might result from this dispute.

27. Segment financial information

Information about the Group's business segments is set out below in accordance with IFRS 8 "Operating Segments". The IFRS 8 requires operating segments to be identified on the basis of internal reports relating to components of the Group that are reviewed on a regular basis by the "executive management" who are the chief operating decision makers in order to allocate resources to the segment and assess its performance. The Group executive manager is known as the main decision maker for the Group's operations.

- The Group's management has defined its business in two main business units: the manufacturing sector, which includes the production and sale of cement and ready-mixed concrete, and the investment sector. This business is the basis on which the Group reports its major segment information and provides it to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The segment involves the sale of cement and ready-mixed concrete. The investment segment includes financial assets at fair value through comprehensive income, financial assets at fair value through profit or loss, investment in associates and investment properties. The above segments are the basis on which the Group reports its segment information. Transactions between segments are conducted at estimated market prices on an arm's length basis and are eliminated on consolidation.

Financial information about business segments for the year ended 31 December is as follows:

	2022		
	Manufacturing sector	**Investment sector**	**Total**
Segments revenues	68,853,915	6,601,828	75,455,743
Gross (loss) / profit of segments	(758,745)	6,601,828	5,843,083
Segments assets	174,823,638	121,561,623	296,385,261

	2021		
	Manufacturing sector	**Investment sector**	**Total**
Segments revenues	51,353,425	1,661,444	53,014,869
Gross (loss) / profit of segments	(2,680,820)	1,661,444	(1,019,376)
Segments assets	168,101,153	126,858,118	294,959,271

27. Segment financial information (Continued)

	2022	2021
Adjustments:		
Gross profit / (loss) of segments	5,843,083	(1,019,376)
Finance charges	(2,180,220)	(1,707,047)
Interest income	5,470	25,358
Net profit / (loss) of segments before deductions	3,668,333	(2,701,065)

Geographical segments:

Financial information about geographical segments for the year ended 31 December is set out below:

	2022		
	Revenues	**Assets**	**Liabilities**
Inside the State of Kuwait	74,213,507	278,639,230	96,398,732
Outside the State of Kuwait	1,242,236	17,746,031	5,658,564
	75,455,743	296,385,261	102,057,296

	2021		
	Revenues	**Assets**	**Liabilities**
Inside the State of Kuwait	52,350,531	274,885,795	89,584,425
Outside the State of Kuwait	664,338	20,073,476	3,109,586
	53,014,869	294,959,271	92,694,011