

**Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary  
State of Kuwait**

**Consolidated Financial Statements and Independent Auditor's Report**  
For the year ended 31 December 2022

**Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary  
State of Kuwait**

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For the year ended 31 December 2022

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**Independent auditor's report**  
**To the shareholders of Kuwait Portland Cement Co. K.P.S.C.**  
**State of Kuwait**

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

**Opinion**

We have audited the consolidated financial statements of Kuwait Portland Cement Co K.P.S.C. ("the Parent Company") and its subsidiary (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its financial performance and cash flows for the 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of this 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 and the above Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for 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 opinion thereon.

We do not provide a separate opinion on these matters. We identified the following matters as key audit matters that shall be disclosed in our report.

**Key Audit Matters**

**How our audit addressed the matter**

**Trade receivables**

Management carries out an assessment of trade receivables and possibilities of their collection at date of the consolidated financial statements.

The Group reviews the main material trade receivable balances separately to determine whether there are indicators of impairment to the value of these receivables.

Trade receivable balances assessed on 31 December 2022 are KD 33,816,269. The subsequent collections from those balances are KD 14,267,702. Management concluded that the currently retained amount for their impairment of KD 5,513,921 is sufficient to cover the expected credit impairment from trade receivables.

Our performed audit procedures included, among other procedures, the following:

- Our audit focused on inspection of aging of receivables to determine retained and obsolete trade receivable balances.
- We have verified statements and information provided to us by management that have been used in assessing the trade receivable balances.
- We have reviewed assumptions and information of the management to determine their reasonableness and reliability in determining impairment measurement.
- We have verified that total obsolete retained receivable balances (only those impaired) is not more than the provision currently recognized in the financial statements.
- We have verified conditions of recognizing credit sales resulted in trade receivable balances in the consolidated financial statements as per IFRS requirements.
- We have ensured adequacy of disclosures on receivables mentioned in notes of the financial statements to achieve requirements of IFRS.
- We have reviewed subsequent collections from trade receivable balances during the subsequent period.



## **Independent Auditor's Report (Continued)**

### **Other Information**

Management is responsible for the other information. The other information comprises the board of directors' report (but does not include the consolidated financial statements and the independent auditor report thereon) and the Group's annual report. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 concerning the other information we received before date of the independent auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent Auditor's Report (Continued)

### Independent 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 underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements for the current period, and related key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained the information and explanations 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, and of the Law No. 7 of 2010 regarding Establishment of Capital Markets Authority and its Executive Regulations and related Regulations, 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 had a material effect on the business or the consolidated financial position of the Group.



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

**State of Kuwait: 5 March 2023**

**Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary  
State of Kuwait**

**Consolidated Statement of Financial Position  
As at 31 December 2022**

	Notes	2022 KD	2021 KD
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	6,789,296	6,213,372
<b>Investment in an associate</b>	6	2,707,103	3,760,018
Financial assets at fair value through other comprehensive income	7	32,146,248	28,968,847
		<u>41,642,647</u>	<u>38,942,237</u>
<b>Current assets</b>			
Trade and other receivables	8	28,930,288	21,004,011
Inventory	9	7,587,082	7,268,329
Financial assets at fair value through the statement of profit or loss	10	13,039,284	15,047,644
Cash and cash equivalents	11	8,175,000	7,606,001
		<u>57,731,654</u>	<u>50,925,985</u>
<b>Total assets</b>		<u>99,374,301</u>	<u>89,868,222</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share Capital	12	10,022,196	10,022,196
Statutory reserve	13	10,022,196	10,022,196
Voluntary reserve	14	10,022,196	10,022,196
General reserve		2,500,000	2,500,000
Treasury shares reserve		544,943	544,943
Change in fair value reserve		8,968,635	14,764,346
Retained earnings		36,424,992	26,627,642
<b>Total equity</b>		<u>78,505,158</u>	<u>74,503,519</u>
<b>Non-current liabilities</b>			
Provision for employees' end of service indemnity	15	5,046,806	5,376,626
		<u>5,046,806</u>	<u>5,376,626</u>
<b>Current liabilities</b>			
Trade and other payables	16	14,882,119	9,223,798
Dividends payable		940,218	764,279
		<u>15,822,337</u>	<u>9,988,077</u>
<b>Total liabilities</b>		<u>20,869,143</u>	<u>15,364,703</u>
<b>Total equity and liabilities</b>		<u>99,374,301</u>	<u>89,868,222</u>

The accompanying notes on pages 11 to 43 form an integral part of these consolidated financial statements.

  
**Ali A. Alomar**  
Chairman



  
**Khalifa Hamoud Al Ghanim**  
CEO and Board Member

**Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary  
State of Kuwait**

**Consolidated Statement of Profit or Loss**  
For the year ended 31 December 2022

	Notes	2022 KD	2021 KD
<b>Revenues</b>			
Sales		132,479,345	97,566,778
Cost of sales		(126,095,642)	(92,110,148)
<b>Gross profit</b>		<u>6,383,703</u>	<u>5,456,630</u>
Net investment profits	17	354,871	4,279,493
Interest income		1,840	1,286
Foreign exchange differences gain / (loss)		5,144	(6,097)
Other revenues	18	<u>2,102,981</u>	<u>1,929,836</u>
		8,848,539	11,661,148
<b>Expenses and other charges</b>			
Group's share of an associate's business results	6	(152,915)	-
Impairment losses in an associate	6	(900,000)	-
General and administrative expenses		(1,668,400)	(1,701,922)
Distribution expenses		(648,257)	(368,607)
Provision for doubtful debts	8	-	(1,900,000)
<b>Profit for the year before KFAS, NLST, Zakat and Directors remuneration</b>		<u>5,478,967</u>	<u>7,690,619</u>
Contribution to Kuwait Foundation for the Advancement of Sciences		(54,790)	(76,906)
National Labour Support Tax		(102,626)	(232,622)
Zakat		(41,050)	(93,049)
Board of Directors' remuneration		(260,000)	(260,000)
<b>Net profit for the year</b>		<u>5,020,501</u>	<u>7,028,042</u>
<b>Basic earnings per share (fils)</b>	19	<u>50.09</u>	<u>70.12</u>

The accompanying notes on pages 11 to 43 form an integral part of these consolidated financial statements.



**Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary  
State of Kuwait**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
For the year ended 31 December 2022

	<u>2022</u>	<u>2021</u>
	KD	KD
Net profit for the year	<u>5,020,501</u>	<u>7,028,042</u>
<b>Other comprehensive income items:</b>		
<i>Items that may not be reclassified subsequently in the consolidated statement of profit or loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	<u>6,247,402</u>	<u>3,614,532</u>
Total other comprehensive income for the year	<u>6,247,402</u>	<u>3,614,532</u>
<b>Total comprehensive income for the year</b>	<u><u>11,267,903</u></u>	<u><u>10,642,574</u></u>

The accompanying notes on pages 11 to 43 form an integral part of these consolidated financial statements.





**Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary  
State of Kuwait**

**Consolidated Statement of Changes in Equity**  
For the year ended 31 December 2022

	Capital	Statutory	Voluntary	General	Treasur	Change in	Accumulated	Total
	KD	reserve	reserve	reserve	y shares	fair value	earnings	Equity
		KD	KD	KD	reserve	reserve	KD	KD
Balance as at 31 December 2020	10,022,196	10,022,196	10,022,196	2,500,000	544,943	11,149,814	23,608,478	67,869,823
Total comprehensive income for the year	-	-	-	-	-	3,614,532	7,028,042	10,642,574
Cash dividends (Note 24)	-	-	-	-	-	-	(4,008,878)	(4,008,878)
<b>Balance as at 31 December 2021</b>	<b>10,022,196</b>	<b>10,022,196</b>	<b>10,022,196</b>	<b>2,500,000</b>	<b>544,943</b>	<b>14,764,346</b>	<b>26,627,642</b>	<b>74,503,519</b>
Total comprehensive income for the year	-	-	-	-	-	6,247,402	5,020,501	11,267,903
Effect of sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(12,043,113)	12,043,113	-
Realized losses on sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(250,774)	(250,774)
Cash dividends (Note 24)	-	-	-	-	-	-	(7,015,490)	(7,015,490)
<b>Balance as at 31 December 2022</b>	<b>10,022,196</b>	<b>10,022,196</b>	<b>10,022,196</b>	<b>2,500,000</b>	<b>544,943</b>	<b>8,968,635</b>	<b>36,424,992</b>	<b>78,505,158</b>

The accompanying notes on pages 11 to 43 form an integral part of these consolidated financial statements.

**Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary  
State of Kuwait**

**Consolidated Statement of Cash Flows**  
For the year ended 31 December 2022

	<u>2022</u>	<u>2021</u>
	KD	KD
<b>Operating activities</b>		
Net profit for the year	5,020,501	7,028,042
<i>Adjustments for:</i>		
Depreciation	997,785	1,292,029
Group's share of an associate's business results	152,915	-
Impairment losses in an associate	900,000	-
Net investment profits	(354,871)	(4,279,493)
Provision for doubtful debts	-	1,900,000
Loss on disposal of property, plant and equipment	13,015	35,234
Provision for employees' end of service indemnity - made	1,389,422	512,785
	<u>8,118,767</u>	<u>6,488,597</u>
<i>Movements in working capital:</i>		
Inventory	(318,753)	(2,940,494)
Trade and other receivables	(7,926,277)	315,523
Financial assets at fair value through the statement of profit or loss	1,097,506	1,065,593
Trade and other payables	5,658,321	1,675,707
<i>Cash from operations</i>	<u>6,629,564</u>	<u>6,604,926</u>
Employees' end of service indemnity - paid	(1,719,242)	(189,522)
<i>Net cash from operating activities</i>	<u>4,910,322</u>	<u>6,415,404</u>
<b>Investing activities</b>		
Paid for purchase of property, machinery and equipment	(1,586,724)	(3,316,976)
Paid for purchase of investment in an associate	-	(377,904)
Net financial assets at fair value through other comprehensive income	2,819,227	(9,351,457)
Dividends received	1,265,725	855,042
<i>Net cash from / (used in) investing activities</i>	<u>2,498,228</u>	<u>(12,191,295)</u>
<b>Financing activities</b>		
Dividends payments	(6,839,551)	(3,988,606)
<i>Net cash used in financing activities</i>	<u>(6,839,551)</u>	<u>(3,988,606)</u>
Net increase (decrease) in cash and cash equivalent	568,999	(9,764,497)
Cash and cash equivalents at beginning of the year	7,606,001	17,370,498
<b>Cash and cash equivalents at end of the year (Note 11)</b>	<u>8,175,000</u>	<u>7,606,001</u>

The accompanying notes on pages 11 to 43 form an integral part of these consolidated financial statements.

**Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary  
State of Kuwait**

**Notes to the Consolidated Financial Statements**

For the year ended 31 December 2022

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**1. General Information**

Kuwait Portland Cement Company K.P.S.C. ("the Parent Company") was incorporated on 7 July 1976 in Kuwait as per Memorandum of Incorporation No. 966, Volume 2, and was listed in Boursa Kuwait on 1 April 1995. The latest amendment to the Parent Company's Memorandum of Incorporation and Articles of Association was dated 16 May 2022 to amend number of board members to become 10 members instead of 9 members and to add a new article on allowing the Parent Company to practice the following new activity:

Recycling of solid building materials and any other materials related to building materials and waste.

Registration of such amendment in the commercial register was done on 6 June 2022 under No. 24170.

The principal activities of the Parent Company are as follows:

- Trading by import & export in bulk cement and packaging of the different types of cement.
- Constructing, operating, leasing, and renting of stores and silos necessary for the supply and distribution of the different types of cement.
- Acquisition of the means of transportation for that purpose.
- Utilizing the financial surpluses of the Parent Company by investing them in portfolios by specialized companies and entities.
- Manufacturing and marketing of readymade concrete
- Purchasing and importing raw materials, machines and vehicles related to the Group's purposes.
- Acquisition of movables and real estates related to the Group's purposes.
- Activity of aggregate import, trade and sale and acquisition of its equipment, means of transportation and crushers.
- Activity related to sand (Quarries) and acquisition of its equipment and means of transportation.
- Recycling of solid building materials and any other materials related to building materials and waste.

The address of the Parent Company's registered office is P.O. Box, 42191-70652, Shuwaikh, State of Kuwait.

The consolidated financial statements of Kuwait Portland Cement Co. K.P.S.C. and its subsidiary were authorised for issue for the year ended 31 December 2022 by the Parent Company's Board of Directors 5 March 2023. It is subject to the approval of the shareholders' annual general assembly. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the Shareholders' Annual General Assembly.

**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.

2. **Application of new and revised international financial reporting standards (IFRSs)  
(Continued)**
- a) **New standards, interpretations and amendments effective from 1 January 2022  
(Continued)**

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.

*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, the Group 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, liabilities 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 profit or loss.

**Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary  
State of Kuwait**

**Notes to the Consolidated Financial Statements**

For the year ended 31 December 2022

**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 16: Property, Plant and Equipment: Proceeds before Intended Use  
(continued)*

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.

*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 Parent Company 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 Group's consolidated financial statements.

**Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary  
State of Kuwait**

**Notes to the Consolidated Financial Statements**  
For the year ended 31 December 2022

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

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

*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.

**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.

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

*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.

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

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

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

*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 and Law No. 7 of 2010 in respect of Capital Market Authority ("CMA"), its Executive Regulations and related amendments.

**3.2 Basis of preparation**

The consolidated financial statements are presented in Kuwaiti Dinar ("KD"), the Group's operational and presentation currency, and are prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through the statement of profit or loss that are stated at fair value.

The preparation of consolidated financial statements in compliance with adopted IFRSs requires the use of certain significant accounting estimates. It also requires the Group management to exercise judgment 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 applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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**3. Significant accounting policies (Continued)**

**3.3 Classification of assets and liabilities to current and non-current**

The Group presents the assets and liabilities in the consolidated statement of financial position based on their classification to current and non-current. The asset shall be current if:

- Expected to be recognized, intended to be sold, or depreciated within the normal operational cycle.
- Held primarily for the purpose of trading.
- Expected to be recognized within twelve months following the reporting date, or
- Cash and cash equivalent, unless its trading or usage is limited to settle an obligation for at least twelve months following the reporting date.

Except for the assets classified pursuant to the basis described above, all other assets not satisfying the forgoing criteria are classified as non-current.

The liability shall be deemed as current if:

- It is expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading.
- Expected to be settled within twelve months following the reporting date, or
- There is no conditional right for postponing settlement of the liability for a period of at least twelve months after the reporting date.

Except for the liabilities classified under the basis described above, all other liabilities not satisfying the forgoing criteria are classified as non-current.

**3.4 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary. The date of the financial statements of the subsidiary is 31 December.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties.
- Other contractual arrangements
- Historic patterns in voting attendance.



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**3. Significant accounting policies (Continued)**

**3.4 Basis of consolidation (continued)**

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together alike items of assets, liabilities, revenues and expenses. Intercompany balances and transactions, including intercompany unrealized profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Profit or loss on disposals of non-controlling interests is also recorded in the consolidated equity.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interests.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profits or losses.
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The details of subsidiary are as follows:

Name of the subsidiary	Principal activity	Place of incorporation	Percentage of holding	
			2022	2021
National Company for Aggregate Import & Sale W.L.L	Import and sale of aggregates	State of Kuwait	98%	98%

There are assignment letters from the non-controlling parties in their interests in the Company representing in 2% in favor of the Parent Company.

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**3. Significant accounting policies (Continued)**

**3.5 Property, plant and equipment**

Property, plant and equipment are recognized in the consolidated statement of financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment losses. Cost includes professional fees and, for qualifying assets, finance costs capitalized in accordance with the Group's accounting policy (see borrowing costs policy). Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis, commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis.

Assets maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalized.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss in the period in which they occur.

**3.6 Investment in an associate**

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. It is not represented in control or joint control over such decisions. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for any changes subsequent to the date in which the Group acquired a share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investments are classified as held for sale, in which case they are accounted for as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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

The Group recognizes its share in business results of the associate in the consolidated statement of profit or loss. Moreover, the Company recognizes its share of changes in the associate's other comprehensive income in its other comprehensive income.

The Group ceases to recognize losses if the associate's losses exceeded the Group's interest therein (including any long-term interests that represents portion of net investment of the Group in the associate) except if the Group has a commitment towards the associate or has paid any payments on behalf of it.

Profits or losses resulted from transactions with associates are disposed of against investment in the associate to the extent of the Group's share in the associate.

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**3. Significant accounting policies (Continued)**

**3.6 Investment in an associate (Continued)**

Any increase in the acquisition cost more than the Group's share in net fair value of designated assets, liabilities and contingent liabilities recognized to the associate as at the acquisition transaction date, is recognized as goodwill. The goodwill is included within the carrying value of the investment in associates. It is assessed as a part of the investment in order to determine the impairment. If the acquisition cost is less than the Group's share of the net fair value of designated assets, liabilities and contingent liabilities, the difference is recognized directly within the consolidated statement of profit or loss.

The Group determines, at each consolidated reporting date, whether there is an indication that the investment in the associate may be impaired and determining whether it is necessary to recognize any impairment in the investment. If any such indication exists, an impairment loss is determined for the entire carrying amount of the investment (including goodwill). The Group calculates the impairment amount as the difference between the recoverable amount of the associate and its carrying amount. Such amount is recognized in the consolidated statement of profit or loss. Any reversal of the impairment is recognised to the extent that the recoverable amount of the investment is subsequently increased.

The Group measures and recognizes any investments held at the fair value upon loss of significant influence on the associate. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

**3.7 Financial instruments**

The Group classifies its financial instruments as financial assets and financial liabilities. Financial assets and liabilities are recognized when the Group becomes a party of the contractual provisions of such instruments.

Financial assets and liabilities carried on the consolidated statement of financial position include cash and cash equivalents, trade and other receivables, financial assets at fair value through the statement of profit or loss, financial assets at fair value through other comprehensive income and trade and other payables.

**Financial assets**

*Recognition, initial measurement and derecognition*

To determine classification and measurement category of financial assets, IFRS requires assessment of all financial assets, except for equity instruments and derivatives, based on the Group's business model for managing the Group's assets and the contractual cash flows characteristics of these instruments.

The Group determines its business model at the level that best reflects how it manages its financial assets to achieve its business objectives and in order to generate contractual cash flows. Whether the Group's sole objective is to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of sell business model and measured at fair value through the statement of profit or loss. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

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**3. Significant accounting policies (Continued)**

**3.7 Financial instruments (Continued)**

**Financial assets (continued)**

*Recognition, initial measurement and derecognition (continued)*

Purchases and sales of the financial assets are recognized on the trade date i.e. the date on which the Group commits to purchase or sell the asset. The financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through the consolidated statement of profit or loss.

The financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire or when the Group transfers its right to receive cash flows from the financial assets in either of the following circumstances: (a) when the Group transfers all risks and rewards of the financial assets ownership, or (b) when all risks and rewards of the financial assets are not transferred or retained, but the control over the financial assets is transferred. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

**Classification of financial assets**

Financial assets are classified in the consolidated financial statements into the following categories upon initial recognition:

- Debt instruments at amortized cost.
- Financial assets at fair value through other comprehensive income.
- Financial assets at fair value through the statement of profit or loss.

**Subsequent measurement**

*Debt instruments at amortized cost*

Financial assets are measured at amortised cost if both of the following conditions are met and are not designated at fair value through the consolidated statement of profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Profits and losses are recognized in the consolidated statement of profit or loss when the asset is derecognised, adjusted or impaired.

The financial assets at amortised cost consist of cash and cash equivalents and trade receivables classified as debt instruments at amortised cost.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at banks, deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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**3. Significant accounting policies (Continued)**

**3.7 Financial instruments (Continued)**

**Financial assets (continued)**

**Subsequent measurement (continued)**

Trade receivables

Trade receivables are amounts due from customers for sale of goods, units or services rendering in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Receivables which are not designated under any of the above are classified as "other receivables".

Financial assets at fair value through other comprehensive income

Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at fair value through other comprehensive income when 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.

Profit or loss on these equity instruments are never recycled to the consolidated statement of profit or loss. Dividends are recognized in the consolidated statement of profit or loss 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 the other consolidated comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment. Upon disposal, gains or losses are reclassified from cumulative changes in fair value to accumulated earnings in the consolidated statement of changes in equity.

The financial assets at fair value through other comprehensive income represent quoted and unquoted equity investments.

Financial assets at fair value through the statement of profit or loss

The Group classifies the financial assets as held for trading primarily when purchased or issued in order to achieve short-term profits through trading activities or when they form a part of a financial instruments portfolio that are managed together, there is an evidence for emerging a new pattern to achieve short-term profits. Assets held for trading are recognized and measured at fair value in the consolidated statement of financial position. In addition, on initial recognition, the Group may designate financial assets at amortized cost or at fair value through other comprehensive income if doing so eliminates or significantly reduces an accounting mismatch that would arise.

Changes in fair value, profit or loss on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

The financial assets at fair value through the statement of profit or loss represent quoted and unquoted equity investments.

**3. Significant accounting policies (Continued)**

**3.7 Financial instruments (Continued)**

**Financial assets (continued)**

*Impairment of financial assets*

The Group recognizes a provision for expected credit losses ("ECLS") for all debt instruments not held at fair value through profit or loss.

ECLS are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from sale of collateral held or other credit enhancements that are regarded as an integral part of the contractual terms.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLS based on ECLS over the financial assets lifetime. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on ECLS over the financial assets lifetime at each reporting date. The Group has established a provision matrix that is based on the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

For other debt instruments, the Group has applied a forward looking approach wherein is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the debt instrument.

In applying this forward-looking approach, the Group applies a three stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk.
- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.
- Stage 3 (credit impaired) - financial assets that have objective evidence of impairment at the financial statements date and assessed as credit impaired when one or more events with a detrimental impact on the estimated future cash flows have occurred.

When assessing whether the financial instrument's credit quality has deteriorated significantly since initial recognition, the Group compares the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument at the initial recognition date. When making this assessment, the Group considers the reasonable and supported quantitative and qualitative information, including historical experience and forward-looking information that is available without cost or excessive effort. Forward-looking information considered includes the future potential of the industries with which the Group's receivables work, obtained from reports by economists, financial analysts, government agencies, relevant think tanks and other similar organizations, as well as consideration of various external sources of actual and expected economic information related to the basic operations of the Group.

**3. Significant accounting policies (Continued)**

**3.7 Financial instruments (Continued)**

**Financial assets (continued)**

*Impairment of financial assets (continued)*

“12-month expected credit losses” are recognized for the first stage while “expected credit losses over the financial assets lifetime” are recognized for the second and third stages. ECLs over the financial assets lifetime are ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs over the financial assets lifetime are a part of ECLs over the financial assets lifetime which are expected to result from default events of the financial instruments for 12 months after the financial reporting date.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs that are measured at amortised cost are deducted from total carrying amount of the assets and charged to the consolidated statement of profit or loss. For the financial debt instruments designated at fair value through other comprehensive income, the available losses are charged to the consolidated statement of profit or loss which is recognized in the other comprehensive income.

**Financial liabilities**

All financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost using the effective interest rate method.

*Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

*Derecognition of financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, Exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

*Offsetting financial assets and liabilities*

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

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**3. Significant accounting policies (Continued)**

**3.8 Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determine the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies method of accounting for the additional costs to obtain the contract and the costs that are directly attributable to the contract execution. The standard also requires comprehensive disclosures.

Under IFRS 15, revenues are recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group shall transfer control of goods or services over time (and not at a point in time) upon fulfillment of any of the following criteria:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not establish an asset that has an alternative usage to the Entity. The Entity has enforceable right in payments against the completed performance to date.
- Control shall be transferred at a point in time if any of the criteria required for transferring goods or service is not met over time. The following items should be considered by the Group whether or not control over the assets is transferred:
  - The Group shall have immediate right in payments against the asset.
  - The customer shall have a legal right in the asset.
  - The Group shall transfer the physical possession to the asset.
  - The customer shall have the significant risks and benefits of ownership of the asset.
  - The customer shall accept the asset.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies the performance obligations before it receives the consideration, the Group recognizes either contract assets or receivables in consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.



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**3. Significant accounting policies (Continued)**

**3.8 Revenue recognition (Continued)**

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commissions incurred by the Group are expensed as the amortization period of such costs is less than a year.

Group's revenue streams arise from the following activities:

Sale of goods

Sales represent total invoiced amount of goods sold during the year. Revenue from sale of goods is recognized when or as the Group transfers control of the goods to the customer. For standalone sales, that are neither customized by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when the goods are shipped to the specific location, have been purchased at store by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognized over time as the customisation or integration work is performed.

Dividends income

Dividends income from investments is recognized when the Group's right to receive payment has been established.

Sale of investments revenues

Revenues are recognized from sale of financial assets at fair value through the statement of profit or loss and through other comprehensive income when ownership of the sold investments is transferred to the buyer.

Rendering of services

Revenue from services rendered is recognised in the consolidated statement of profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion was assessed with reference to surveys of work performed.

Other revenues

Other income is recognized on an accrual basis.

**3.9 Fair value measurement**

The Group measures the financial instruments and non-financial assets at fair value at the date of each consolidated statement of financial position. Fair value measurement of financial instruments and non-financial assets is disclosed in the notes to the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement depends on the presumption that the asset is disposed of or the liability is settled by transferring it. This happens in one of the following cases:

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**3. Significant accounting policies (Continued)**

**3.9 Fair value measurement (Continued)**

- Disposal or settlement to the primary market of asset or liability, or
- In case there is no primary market for the asset or liability, disposal or settlement is done in the secondary market, i.e. in the most useful market to the asset or liability. In this context, the Group must be able to reach the primary market or the most useful market to the asset or liability.

With regard to assets and liabilities recognised in the consolidated financial statements of the Group measured at fair value frequently, the Group determines whether there are transfers made between levels of the fair value hierarchy through reclassification at the end of each reporting period.

To present the disclosures on the fair value, the Group determined categories of assets and liabilities taking into consideration nature and characteristics of the risks related to the asset or liability and level of the hierarchy referred to above.

The fair value of asset and liability are measured by using assumptions used by the participants in the market when pricing the asset or liability, and by assuming that such participants are working to reach the best achievement of their economic interests.

Fair value measurement of non-financial assets takes into account ability of the participants in the market to achieve economic benefits for them through the best way of usage at the highest and best level of the asset, or through selling the asset to another party in the market, that is expected to use the asset in an ideal way at the highest and best level. The Group uses appropriate valuation techniques that have available sufficient data to measure the fair value while using maximum observable inputs related to the asset and reducing usage of the unobservable inputs to the maximum limit.

All assets and liabilities that its fair value is measured or disclosed are classified within the fair value hierarchy. The fair value hierarchy consists of three levels: 1. In accordance with quoted prices. 2. Valuation techniques use prices of observable current market transactions. 3. Valuation techniques use generally accepted pricing models.

**3.10 Equity and reserves**

Capital represents the nominal value of shares that have been issued.

Reserves (statutory and voluntary) represent retained amounts from annual profits in such accounts under requirements of the Parent Company's Memorandum of Incorporation and Articles of Association, Companies Law, its Executive Regulations and decisions of board of directors approved by the General Assembly of Shareholders.

General reserve was made in previous years based on decisions of Board of Directors and approval of the General Assembly of Shareholders on the same.

Results from treasury shares trading are recognized in treasury shares selling reserve.

Profits and losses resulting from some financial instruments are recognized under change in fair value reserve.

Retained earnings include profits for the current financial year and prior financial year retained profits.

**3. Significant accounting policies (Continued)**

**3.11 Dividends to Shareholders**

The Parent Company recognises a liability for cash or non-cash distributions to its shareholders when the distribution is authorised and the distribution is no longer among options of the Parent Company. The Parent Company records the liability emerging from cash and non-cash distributions directly in the liabilities with the corresponding entry is charged to retained earnings. In accordance with Companies Law No. 1 of 2016 and its Executive Regulations, dividends are disclosed when approved by the Shareholders at the Annual General Assembly Meeting.

The non-cash dividends are measured at fair value of assets that will be distributed. Fair value measurement is recognized directly in the consolidated equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and carrying amount of the assets distributed to the shareholders is recognised in the consolidated statement of profit or loss.

**3.12 Provision for employees' end of service indemnity**

Provision is made for employees' end of service indemnity which is payable on completion of employment. The provision is calculated in accordance with Kuwait Labor Law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of the involuntary termination of staff at the date of consolidated financial position, on the basis that this computation is a reliable approximation of the present value of this obligation.

**3.13 Social security**

Concerning the Kuwaiti national staff, the Group makes subscriptions to the General Organisation for social security being calculated as a percentage of monthly salaries of the employees. The Group's liability is limited to the amounts of these commitments, which are recognized as expense when the terms of their accrual by concerned employees are met.

**3.14 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expenses related to any provision are included in the consolidated statement of profit or loss less any redemption of expenses. If the effect of the time value of the money is material, the provisions are deducted at a rate reflecting the risks specific to the obligation where appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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**3. Significant accounting policies (Continued)**

**3.15 Inventories**

Inventories are held at lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the weighted average cost. Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Spare parts are not intended for resale and are valued at cost after making allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis.

All other inventory items are valued at the lower of purchased cost or net realisable value using the weighted average method after making provision for any slow moving and obsolete stocks. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

**3.16 Foreign exchange translation**

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is also functional currency of the Parent Company.

**Transactions and balances**

Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each consolidated financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date of consolidated financial statements. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss for the year. Exchange differences arising on the translation of monetary items at fair value are included in the consolidated statement of profit or loss for the year except for differences arising on retranslation of non-monetary items that were recognized in the consolidated statement of profit or loss which are related directly to them in the consolidated statement of other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in the consolidated statement of other comprehensive income.

**3.17 Treasury shares**

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. 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, gains are credited to a separate account in the consolidated equity, (the "treasury shares reserve"), which is not distributable.

**3. Significant accounting policies (Continued)**

**3.17 Treasury shares (Continued)**

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 then reserves. Profits realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, accumulated earnings and the profit on sale of treasury shares account. 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.

**3.18 Assets and contingent liabilities**

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

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

**3.19 Contribution to Kuwait Foundation for the Advancement of Sciences**

The contribution to KFAS is calculated at 1% of profit before deduction of the contribution to KFAS, Zakat, NLST, and Board remuneration and after transferring to the statutory reserve.

**3.20 Zakat**

Zakat is calculated at 1% on the profit before deduction of the contribution to KFAS, Zakat, NLST and Board remuneration in accordance with law No. 46 for year 2006.

**3.21 National Labour Support Tax**

Zakat is calculated at 2.5% on the profit before deduction of the contribution to KFAS, Zakat, NLST and Board remuneration in accordance with law No. 19 for year 2000.

**3.22 Related party transactions**

Related parties represent major shareholders, directors and key management personnel of the Company, their family members and the entities they own. All related party transactions are conducted on a normal course of activity and are approved by the Group's management.

**3.23 Leases**

***The Group as a lessor***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Other lease contracts are classified as financing leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

**3. Significant accounting policies (Continued)**

**3.23 Leases (Continued)**

*The Group as a lessor (continued)*

- **Operating lease**

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 asset and recognised on a straight-line basis over the lease term.

*The Group as a lessee*

The Group assesses at contract inception whether a contract is, or contains, a lease. The Group recognizes right-of use assets and the lease liabilities regarding all lease arrangements when it acts as the lessee.

- **Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses which are adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased assets at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

- **Lease Liabilities**

The Group recognizes lease liabilities at the commencement date of the lease and are measured by the present value of the lease payments to be paid during the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option when the Group is reasonably certain that this option is exercised, and payments of penalties for terminating a lease if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is re-measured if there is an amendment or change in the lease term or a change in the content of the fixed lease payments or a change in the evaluation that is made to determine whether the underlying assets will be purchased.

3. Significant accounting policies (Continued)

3.23 Leases (Continued)

*The Group as a lessee (continued)*

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4. Significant accounting judgments and key sources of estimation uncertainty

**Accounting judgments**

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

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 No. (15) and the policy of revenue recognition disclosed in Note No. (3.8) require significant judgments.

Provision for doubtful debts and provision for inventory

The determination of the recoverability of the amount due from customers, marketability of inventory and the factors determining the impairment of the accounts receivable and inventory involve significant judgments.

Classification of financial instruments

On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets.

Principal versus agent considerations

The Group enters into contracts to sell goods and render services to its customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group determined that it is a principal in all its contracts with its customers.

- The Group controls the promised goods or services before the Group transfers the goods or services to the customer.
- The Group satisfies the performance obligations by itself and does not engage another party in satisfying its performance obligations in its contracts with customers.

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**4. Significant accounting judgments and key sources of estimation uncertainty (Continued).**

**Accounting judgments (Continued)**

Leases

Significant opinions on requirements for applying IFRS 16 include, among others, the following:

- Determine whether the contract (part thereof) contains a lease,
- Determine whether it is reasonably certain that extension or termination option will be exercised,
- Classification of lease agreements (when the entity is the lessor),
- Determine whether the variable payments are substantially fixed,
- Determine whether there are multiple leases in the arrangement,
- Determine the sale price of leased and non-leased items.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the accounts of assets and liabilities within the next financial year are discussed below:

Fair value of unquoted financial assets

The valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of other instruments that are substantially the same.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Provision for Inventories

The carrying amount of inventories are reduced and included by net realisable value when damaged or become obsolete, wholly or partly, or when the selling price goes down. The benchmarks for determining the amount of provision or write-off include annual analysis, technical assessment and subsequent events. The provisions and write-off are subject to management's approval.

Provision for doubtful debts for trade receivables

The Group uses a provision matrix to calculate provision for doubtful debts for trade receivable balances. The provision rates are based on days past due for groupings of various customer segments that have similar impairment patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical doubtful debts experience with forward-looking information.



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**4. Significant accounting judgments and key sources of estimation uncertainty  
(Continued).**

**Estimation uncertainty (Continued)**

*Provision for doubtful debts for trade receivables (continued)*

For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalization) are expected to deteriorate over the next year which can lead to an increased number of defaults in the brokerage sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and provision for doubtful debts is a significant estimate. The amount of provision for doubtful debts is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical doubtful debts experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information on the doubtful debts of the Group's trade receivables is disclosed in Note (8).

*Impairment of tangible assets*

The Group's management estimates whether there is an indication to impairment of tangible assets. The recoverable amount of an asset is determined based on "value in use method". In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. 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 tangible assets*

As described in Note 3.5, the Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives of these assets are appropriate.

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**5. Property, plant and equipment**

	Leasehold							Total KD
	lands & buildings improvements KD	Trading vessels KD	Plant and equipment KD	Furniture and fixtures KD	Vehicles KD	Tools and equipment KD	Silos KD	
<b>Cost</b>								
Balance at 1 January 2021	7,607,725	7,921,642	16,721,182	261,484	10,890,065	3,433,682	876,254	47,712,034
Additions	-	245,108	1,349,999	-	1,708,469	13,400	-	3,316,976
Disposals	-	-	-	-	(109,531)	-	-	(109,531)
Balance as at 31 December 2021	7,607,725	8,166,750	18,071,181	261,484	12,489,003	3,447,082	876,254	50,919,479
Additions	-	1,234,190	30,637	-	113,341	208,556	-	1,586,724
Disposals	-	-	-	-	(36,622)	(16,838)	-	(53,460)
Balance as at 31 December 2022	7,607,725	9,400,940	18,101,818	261,484	12,565,722	3,638,800	876,254	52,452,743
<b>Accumulated depreciation</b>								
Balance at 1 January 2021	7,430,278	7,845,656	15,332,788	242,179	9,908,175	2,418,519	310,780	43,488,375
Charged during the year	35,489	64,219	507,679	3,861	481,468	162,878	36,435	1,292,029
Related to disposals	-	-	-	-	(74,297)	-	-	(74,297)
Balance at 31 December 2021	7,465,767	7,909,875	15,840,467	246,040	10,315,346	2,581,397	347,215	44,706,107
Charged during the year	35,489	76,949	417,221	3,861	371,424	56,406	36,435	997,785
Related to disposals	-	-	-	-	(36,620)	(3,825)	-	(40,445)
Balance at 31 December 2022	7,501,256	7,986,824	16,257,688	249,901	10,650,150	2,633,978	383,650	45,663,447
<b>Carrying value</b>								
At 31 December 2022	106,469	1,414,116	1,844,130	11,583	1,915,572	1,004,822	492,604	6,789,296
At 31 December 2021	141,958	256,875	2,230,714	15,444	2,173,657	865,685	529,039	6,213,372
Annual depreciation rates	5-20%	20%	20%	20%	10-20%	20%	10%	

Buildings are constructed on a land leased from the State of Kuwait.

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**6. Investment in an associate**

Name of the associate	Principal activities	Place of incorporation	Percentage of holding	
			2022	2021
Land United Real Estate Company K.S.C.	Real estates	State of Kuwait	%	%
			20	20

Movement in investment in an associate is as follows:

	2022	2021
	KD	KD
Balance at beginning of the year	3,760,018	-
Transferred from financial assets at fair value through profit or loss	-	3,382,114
Additions during the year	-	377,904
Group's share of an associate's business results	(152,915)	-
Impairment losses in an associate	(900,000)	-
Net book value at the year end	<u>2,707,103</u>	<u>3,760,018</u>

- The Group calculated the impairment losses of KD 900,000 for investment in the associate through an assessment prepared by a certified asset valuer. The associate's assessment was based on the comparative market value method.

	30 September 2022
	KD
<b>Statement of Financial Position</b>	
Non-current assets	
Current assets	53,984,979
Total assets	<u>730,762</u>
	54,715,741
Non-current liabilities	
Current liabilities	97,169
Total liabilities	<u>37,665,029</u>
	37,762,198
Net assets	16,953,543
Proportion of the Group's ownership	20%
Group's share in Equity	<u>3,390,709</u>
Goodwill	216,394
Impairment in an associate	<u>(900,000)</u>
The carrying amount of investment in an associate	<u>2,707,103</u>
<b>Associate's business results for the period</b>	
Rental income	2,466,725
General and administrative expenses	(537,701)
Finance costs	(1,477,068)
Change in fair value of investment properties	(1,208,824)
Provisions and other expenses	(7,708)
Loss for the period	<u>(764,576)</u>
<b>The Group's share from business results of the associate</b>	<u>(152,915)</u>

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**7. Financial assets at fair value through other comprehensive income**

	<u>2022</u>	<u>2021</u>
	KD	KD
Quoted financial assets	32,046,248	28,791,558
Unquoted financial assets	<u>100,000</u>	<u>177,289</u>
	<u>32,146,248</u>	<u>28,968,847</u>

Financial assets are valued at fair value through other comprehensive income in accordance with valuation techniques disclosed in Note (23 - H).

**8. Trade and other receivables**

	<u>2022</u>	<u>2021</u>
	KD	KD
Trade receivables (a)	33,816,269	25,605,190
Provision for doubtful debts (B)	<u>(5,513,921)</u>	<u>(5,513,921)</u>
<i>Net trade receivables</i>	28,302,348	20,091,269
Prepayments	126,151	98,164
Other receivables	<u>501,789</u>	<u>814,578</u>
	<u>28,930,288</u>	<u>21,004,011</u>

The credit period rate upon rendering services is within 90 days as of signing the contract or the sales invoice date. There are no interests accrued on overdue trade receivables.

(a) The Group classifies the aging of trade receivables as follows:

	<u>2022</u>	<u>2021</u>
	KD	KD
Less than 90 days	14,929,291	8,738,615
90 - 180 days	12,690,560	9,935,852
181 - 365 days	1,410,339	1,640,746
Over one year	<u>4,786,079</u>	<u>5,289,977</u>
	<u>33,816,269</u>	<u>25,605,190</u>

Subsequent collections from trade receivables balances amounted at KD 14,267,702.

(b) Movement in provision for doubtful debts is as follows:

	<u>2022</u>	<u>2021</u>
	KD	KD
Balance at beginning of the year	5,513,921	3,613,921
Provision for doubtful debts charged during the year	<u>-</u>	<u>1,900,000</u>
Balance at end of the year	<u>5,513,921</u>	<u>5,513,921</u>

Disclosures relating to the credit risk exposure and analysis relating to the provision for doubtful debts are set forth in Note (23- C).

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**9. Inventory**

	<u>2022</u>	<u>2021</u>
	KD	KD
Raw materials	449,713	407,557
Cement	845,390	955,919
Steel	3,006,554	3,041,967
Cement sacks	129,852	26,424
Goods in transit	1,779,752	1,267,338
Spare parts	723,250	481,645
Aggregate	<u>680,272</u>	<u>1,115,180</u>
	7,614,783	7,296,030
Provision for slow moving inventory	<u>(27,701)</u>	<u>(27,701)</u>
	<u>7,587,082</u>	<u>7,268,329</u>

**10. Financial assets at fair value through the statement of profit or loss**

	<u>2022</u>	<u>2021</u>
	KD	KD
Local quoted financial assets	11,515,932	11,922,103
Local unquoted financial assets	1,462,002	3,059,000
Foreign quoted financial assets	5,603	10,794
Foreign unquoted financial assets	<u>55,747</u>	<u>55,747</u>
	<u>13,039,284</u>	<u>15,047,644</u>

**11. Cash and cash equivalents**

	<u>2022</u>	<u>2021</u>
	KD	KD
Cash on hand	191,007	75,482
Bank balances	2,236,400	5,823,566
Cash at investment portfolios	<u>5,747,593</u>	<u>1,706,953</u>
	<u>8,175,000</u>	<u>7,606,001</u>

**12. Share Capital**

The authorized, issued and fully paid up share capital comprises of KD 10,022,196 divided into 100,221,960 shares of 100 fils each. All shares are cash shares.

**13. Statutory reserve**

In accordance with the Companies Law and the Parent Company's memorandum of association, 10% of the profit for the year, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, Zakat, and directors' remuneration, is transferred to the statutory reserve. The Parent Company may discontinue such transfer when the reserve balance exceeds 50% of the paid up share capital. Such reserve is not available for distribution except for payment of a dividend of 5% of capital in years when cumulative profit is not sufficient for the payment of such dividend. The Parent Company has discontinued the transfer to such reserve because the statutory reserve balance has exceeded 50% of the Parent Company's share capital.

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**14. Voluntary reserve**

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, Zakat, and directors' remuneration, is transferred to the voluntary reserve. Such annual transfers can be discontinued by a resolution taken by the Parent Company Shareholders' General Assembly meeting upon recommendation by the board of directors. There are no restrictions on the distribution of the voluntary reserve.

Transfer to voluntary reserve has been discontinued in accordance with decision of the General Assembly of the Parent Company's Shareholders.

**15. Provision for employees' end of service indemnity**

	<u>2022</u>	<u>2021</u>
	KD	KD
Balance at beginning of the year	5,376,626	5,053,363
Provided during the year	1,389,422	512,785
Paid during the year	<u>(1,719,242)</u>	<u>(189,522)</u>
Balance at end of the year	<u>5,046,806</u>	<u>5,376,626</u>

**16. Trade and other payables**

	<u>2022</u>	<u>2021</u>
	KD	KD
Trade payables	12,357,295	6,683,419
Staff leaves payable	762,736	680,807
Payable to KAFS	54,790	76,906
National Labour Support Tax due	102,626	232,622
Zakat payable	41,050	93,049
Board of Directors' accrued remuneration	260,000	260,000
Accrued expenses	<u>1,303,622</u>	<u>1,196,995</u>
	<u>14,882,119</u>	<u>9,223,798</u>

**17. Net investment gains**

	<u>2022</u>	<u>2021</u>
	KD	KD
Realized profits on sale of financial assets at fair value through profit or loss	478,292	1,913,088
Unrealized (losses) / profits from change in fair value of the financial assets through profit or loss	<u>(1,389,146)</u>	<u>1,511,363</u>
Dividends income	1,265,725	855,042
	<u>354,871</u>	<u>4,279,493</u>

**18. Other revenues**

This item represents revenues from wages for transportation and distribution of cement, iron, sale of properties, plant and equipment and others.

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**19. Basic earnings per share**

Basic earnings per share is calculated by dividing net profit for the year by the weighted average number of shares outstanding during the year:

	<u>2022</u>	<u>2021</u>
Net profit for the year (KD)	<u>5,020,501</u>	<u>7,028,042</u>
Weighted average number of outstanding shares (shares)	<u>100,221,960</u>	<u>100,221,960</u>
<b>Basic earnings per share (fils)</b>	<u>50.09</u>	<u>70.12</u>

**20. Staff costs and depreciation**

Staff costs and depreciation are stated in the consolidated financial statements in the following accounts categories:

	<u>2022</u>	<u>2021</u>
	KD	KD
<b>Employee costs</b>		
Cost of sales	2,106,000	1,806,521
General and administration expenses	<u>102,773</u>	<u>92,681</u>
	<u>2,208,773</u>	<u>1,899,202</u>
<b>Depreciation</b>		
Cost of sales	994,093	1,287,248
General and administrative expenses	<u>3,692</u>	<u>4,781</u>
	<u>997,785</u>	<u>1,292,029</u>

**21. Related party transactions**

Related parties represent major shareholders, directors and key management personnel of the Parent Company, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Details of transactions between the Parent Company and related parties are disclosed below:

	<u>2022</u>	<u>2021</u>
	KD	KD
Transactions included in the consolidated statement of profit or loss:		
<i>Key management personnel benefits</i>		
Salaries and short-term benefits	693,200	585,078
Employees' end of service indemnity	119,387	78,954
Directors' remuneration	260,000	260,000

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**22. Segments Information**

IFRS 8 requires that operating segments to be identified based on the internal reports of Group segments which are regularly reviewed by the chief decision maker so as to evaluate their performance. The Parent Company's management has classified the Group's products and services into the following operational segments according to the IFRS 8: "Operating Segments":

- Cement, steel, aggregate and ready mix
- Investments

Below is the analysis of income and profit of segments as disclosed:

	Operating segments		Net profit of operating	
	revenues		segments	
	2022	2021	2022	2021
	KD	KD	KD	KD
Cement, steel, aggregate and ready mix	132,479,345	97,566,778	6,383,703	5,456,630
Investments			(691,060)	4,274,682
Unallocated other income			2,102,981	1,929,836
General, administrative and distribution expenses			(2,316,657)	(2,070,529)
Provision for doubtful debts			-	(1,900,000)
Withholdings and tax			(198,466)	(402,577)
Board of Directors' remuneration			(260,000)	(260,000)
Net profit for the year			5,020,501	7,028,042

For the purposes of monitoring segment performance and allocating resources between segments, the segment assets and liabilities are as follows:

	2022	2021
	KD	KD
<i>Assets</i>		
Cement, steel, aggregate and ready mix	51,481,666	42,091,713
Investments	47,892,635	47,776,509
	99,374,301	89,868,222
	2022	2021
	KD	KD
<i>Liabilities</i>		
Cement, steel, aggregate and ready mix	19,928,925	14,600,424
Unallocated	940,218	764,279
	20,869,143	15,364,703

**23. Financial risk management**

**a) Capital risk management**

The Group objectives when managing capital are to safeguard the Group's ability to continue as a going concern, through the optimisation of the debt and equity balance so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.



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**23. Financial risk management (Continued)**

**a) Capital risk management (Continued)**

The Group's sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or debt and or sell assets to reduce debt.

**b) Categories of financial instruments**

	<u>2022</u>	<u>2021</u>
	KD	KD
<b>Financial assets</b>		
Cash and cash equivalents	8,175,000	7,606,001
Trade and other receivables	28,930,288	21,004,011
Financial assets at fair value through the statement of profit or loss	13,039,284	15,047,644
Financial assets at fair value through other comprehensive income	32,146,248	28,968,847
<b>Financial liabilities</b>		
Trade and other payables	14,882,119	9,223,798

**c) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk are monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through obtaining the suitable guarantees when appropriate.

The maximum credit risk exposure is not materially different from the carrying values in the consolidated statement of financial position.

**Trade receivables and other debit balances**

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

No change has been made to estimation techniques and significant assumptions during the current year.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to make an alternative payment arrangement - amongst other - with the Group is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

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**23. Financial risk management (Continued)**

**c) Credit risk (continued)**

**Trade receivables and other debit balances (continued)**

The following table indicates details of the risks related to trade receivables item, which was based on the Group's provisions matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments

<b>31 December 2022</b>	<b>1-90 Days KD</b>	<b>91-180 days KD</b>	<b>181 – 365 days KD</b>	<b>More than 365 days KD</b>	<b>Total KD</b>
Approximate doubtful debts rate (%)	1.23%	3.01%	11.44%	100%	-
Doubtful debts	184,298	382,157	161,387	4,786,079	5,513,921
<b>31 December 2021</b>	<b>1-90 Days KD</b>	<b>91-180 days KD</b>	<b>181 – 365 days KD</b>	<b>More than 365 days KD</b>	<b>Total KD</b>
Approximate doubtful debts rate (%)	1%	1%	2%	100%	-
Doubtful debts	87,386	103,743	32,815	5,289,977	5,513,921

**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 based on the 12 months expected loss. Cash at banks 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 is insignificant to the Group as the risk of default has not increased significantly since initial recognition.

The maximum limit of the Office's exposure to credit risk arising from default of the counterparty is the nominal value of cash and cash equivalents and receivables and other debit balances.

**Credit risk exposure**

The carrying values for financial assets represent the maximum exposure to credit risks. The maximum net exposure to credit risk for assets categories at the reporting date was as follows:

	<b>2022 KD</b>	<b>2021 KD</b>
Trade and other receivables (excluding advance payments)	28,804,137	20,905,847
Cash and cash equivalents	8,175,000	7,606,001
	<u>36,979,137</u>	<u>28,511,848</u>

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**23. Financial risk management (Continued)**

**c) Credit risk (continued)**

*Credit risk exposure (continued)*

The Group evaluates the concentration of risks with respect to trade receivables as low, due to the customer base being large and unrelated.

The maximum limit of exposure to credit risks for financial assets at the reporting date by geographical region and industry wise sector is based in the State of Kuwait.

**d) Equity price risk**

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. The financial instruments, which potentially subject the Group to equity price risk, consist principally of financial assets at fair value through the statement of profit or loss, and financial assets at fair value through other comprehensive income. The Group manages this risk by diversifying its investments on the basis of the predetermined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The expected decrease is equal to the increase set out below.

		Effect on the consolidated statement of profit or loss		Effect on the consolidated statement of profit or loss and other comprehensive income	
		2022	2021	2022	2021
		KD	KD	KD	KD
Financial assets at fair value through the statement of profit or loss	5%	651,964	752,382	-	-
Financial assets at fair value through other comprehensive income	5%	-	-	1,607,312	1,448,442

**e) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rate. The Group has no exposure to interest rate risk, as it does not maintain any financial instruments exposed to interest rate risk.

**f) Foreign currency risk management**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The management monitors the positions on a daily basis to ensure positions are maintained within established limits. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposure.

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**23. Financial risk management (Continued)**

**g) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities as at financial year end based on contractual undiscounted repayment obligations:

31 December 2022	1 to 3 months	3 to 12 months	Total
	KD	KD	KD
Trade and other payables	10,233,335	4,648,784	14,882,119
Dividends payable	-	940,218	940,218
<b>TOTAL LIABILITIES</b>	<b>10,233,335</b>	<b>5,589,002</b>	<b>15,822,337</b>

  

31 December 2021	1 to 3 months	3 to 12 months	Total
	KD	KD	KD
Trade and other payables	2,046,244	7,177,554	9,223,798
Dividends payable	764,279	-	764,279
<b>TOTAL LIABILITIES</b>	<b>2,810,523</b>	<b>7,177,554</b>	<b>9,988,077</b>

**h) Fair value of financial instruments**

*Fair value measurements recognized in the consolidated statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data.

31 December 2022	Level 1	Level 3	Total
	KD	KD	KD
Financial assets at fair value through profit or loss			
Quoted equities	11,521,535	-	11,521,535
Unquoted equities	-	1,517,749	1,517,749
<b>Total</b>	<b>11,521,535</b>	<b>1,517,749</b>	<b>13,039,284</b>
Financial assets at fair value through other comprehensive income			
Quoted equities	32,046,248	-	32,046,248
Unquoted equities	-	100,000	100,000
<b>Total</b>	<b>32,046,248</b>	<b>100,000</b>	<b>32,146,248</b>

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**23. Financial risk management (Continued)**

**h) Fair value of financial instruments**

	<u>Level 1</u> KD	<u>Level 3</u> KD	<u>Total</u> KD
<b>31 December 2021</b>			
Financial assets at fair value through profit or loss			
Quoted equities	11,932,897	-	11,932,897
Unquoted equities	-	3,114,747	3,114,747
Total	<u>11,932,897</u>	<u>3,114,747</u>	<u>15,047,644</u>
Financial assets at fair value through other comprehensive income			
Quoted equities	28,791,558	-	28,791,558
Unquoted equities	-	177,289	177,289
Total	<u>28,791,558</u>	<u>177,289</u>	<u>28,968,847</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

**24. General Assembly of Shareholders**

The Board of Directors proposed through its meeting held on 5 March 2023 to distribute cash dividends at 70% of the share capital at 70 fils per share for the financial year ended 31 December 2022, and also proposed a remuneration of KD 260,000 to the Board of Directors. Such proposals are subject to the approval of the Shareholders' Annual General Assembly.

On 16 May 2022, the General Assembly of Shareholders was held and approved the consolidated financial statements for the financial year ended 31 December 2021 and approved distribution of cash dividends at 70% of the share capital representing 70 fils per share for the registered Shareholders at the date of owning the share on 31 May 2022 (2021: cash dividends at 40% of the share capital representing 40 fils per share).

**25. Contingent liabilities**

	<u>2022</u> KD	<u>2021</u> KD
Letters of guarantee	<u>32,040,433</u>	<u>43,386,633</u>