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 2023

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Contents

	Page
Independent Auditor's Report.	1-3
Consolidated Statement of Financial Position.	4
Consolidated Statement of Profit or Loss.	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income.	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows.	8
Notes to the Consolidated Financial Statements.	9-42

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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 2023, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, 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 ("ISAs"). 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 2023 are KD 32,042,746. The subsequent collections from those balances are KD 11,686,208. 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.

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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 that date.

Our opinion on the consolidated financial statements does not cover the other information 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 those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 affect our independence, and where applicable, related measures.

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 instructions, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023 that might have had a material effect on the business or the financial position of the Parent Company.

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

Kuwait: 13 February 2024

Consolidated Statement of Financial Position
As at 31 December 2023

	Notes	2023 KD	2022 KD
Assets			
Non-current assets			
Property, machinery and equipment	5	10,509,001	6,789,296
Investment in an associate	6	-	2,707,103
Financial assets at fair value through other comprehensive income	7	32,921,136	32,146,248
		43,430,137	41,642,647
Current assets			
Trade and other receivables	8	27,825,630	28,930,288
Inventory	9	8,204,419	7,587,082
Financial assets at fair value through profit or loss	10	13,422,353	13,039,284
Cash and cash equivalents	11	7,235,588	8,175,000
		56,687,990	57,731,654
Total assets		100,118,127	99,374,301
Equity and liabilities			
Equity			
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		5,146,494	8,968,635
Retained earnings		36,106,020	36,424,992
Total equity		74,364,045	78,505,158
Non-current liabilities			
Provision for employees' end of service indemnity	15	5,438,739	5,046,806
		5,438,739	5,046,806
Current liabilities			
Trade and other payables	16	16,363,553	14,882,119
Dividends payable		1,094,266	940,218
Financing from third party	17	2,857,524	-
		20,315,343	15,822,337
Total liabilities		25,754,082	20,869,143
Total equity and liabilities		100,118,127	99,374,301

The accompanying notes on pages 9 to 42 form an integral part of these consolidated financial statements.

Khalifa Hamoud Al Ghanim
CEO and Board Member

شركة اسمنت بورتلاند كويت
KUWAIT PORTLAND CEMENT CO.
KPCC

Ahmed Mahmoud Issa Al-Asfoor
Chairman

Consolidated Statement of Profit or Loss
For the year ended 31 December 2023

	Notes	2023 KD	2022 KD
Revenues			
Sales		145,789,141	132,479,345
Cost of sales		(139,863,918)	(126,611,722)
Gross profit		5,925,223	5,867,623
Net investment profits	18	940,615	354,871
Other revenues	19	2,588,090	2,109,965
		9,453,928	8,332,459
Expenses and other charges			
Group's share of an associate's business results	6	4,153	(152,915)
Effect of reclassifying an associate to financial assets at fair value through other comprehensive income	6	(592,000)	-
Impairment losses in an associate	6	-	(900,000)
General and administrative expenses		(1,027,101)	(1,152,320)
Distribution expenses		(698,302)	(648,257)
Finance costs		(87,949)	-
Profit for the year before KFAS, NLST, Zakat and Directors remuneration		7,052,729	5,478,967
Contribution to Kuwait Foundation for the Advancement of Sciences		(70,527)	(54,790)
National Labour Support Tax		(143,311)	(102,626)
Zakat		(57,325)	(41,050)
Board of Directors' remuneration		(260,000)	(260,000)
Net profit for the year		6,521,566	5,020,501
Basic earnings per share (fils)	20	65.07	50.09

The accompanying notes on pages 9 to 42 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 2023

	2023	2022
	KD	KD
Net profit for the year	6,521,566	5,020,501
Items of (other comprehensive loss) / other comprehensive income:		
Items that may not be reclassified subsequently in the consolidated statement of profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income	(3,507,601)	6,247,402
Total (other comprehensive loss) / other comprehensive income for the year	(3,507,601)	6,247,402
Total comprehensive income for the year	3,013,965	11,267,903

The accompanying notes on pages 9 to 42 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 2023

	Capital KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Treasury shares reserve KD	Change in fair value reserve KD	Retained earnings KD	Total equity KD
Balance as at 31 December 2021	10,022,196	10,022,196	10,022,196	2,500,000	544,943	14,764,346	26,627,642	74,503,519
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 28)	-	-	-	-	-	-	(7,015,490)	(7,015,490)
Balance as at 31 December 2022	10,022,196	10,022,196	10,022,196	2,500,000	544,943	8,968,635	36,424,992	78,505,158
Total (comprehensive loss) / comprehensive income for the year	-	-	-	-	-	(3,507,601)	6,521,566	3,013,965
Effect of sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	(314,540)	314,540	-
Realized losses on sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(139,588)	(139,588)
Cash dividends (Note 28)	-	-	-	-	-	-	(7,015,490)	(7,015,490)
Balance as at 31 December 2023	10,022,196	10,022,196	10,022,196	2,500,000	544,943	5,146,494	36,106,020	74,364,045

The accompanying notes on pages 9 to 42 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2023

	2023 KD	2022 KD
Operating activities		
Net profit for the year	6,521,566	5,020,501
Adjustments for:		
Depreciation	2,143,043	997,785
Group's share of an associate's business results	(4,153)	152,915
Effect of reclassifying an associate to financial assets at fair value through other comprehensive income	592,000	-
Impairment losses in an associate	-	900,000
Net investment profits	(940,615)	(354,871)
(Gain) / loss on disposal of property, machinery and equipment	(18,900)	13,015
Finance costs	87,949	-
Provision for employees' end of service indemnity - made	529,288	1,389,422
	8,910,178	8,118,767
Movements in working capital:		
Inventory	(617,337)	(318,753)
Trade and other receivables	1,736,160	(7,926,277)
Trade and other payables	1,536,224	5,735,227
Cash from operations	11,565,225	5,608,964
Employees' end of service indemnity paid	(137,355)	(1,719,242)
Contribution to Kuwait Foundation for the Advancement of Sciences paid	(54,790)	(76,906)
Net cash from operating activities	11,373,080	3,812,816
Investing activities		
Paid for purchase of property, machinery and equipment	(2,437,142)	(1,586,724)
Proceeds from disposal of property, machinery and equipment	28,294	-
Proceeds from dispose of part of investment in an associate	28,357	-
Financial assets at fair value through profit or loss	(2,132,495)	1,097,506
Net financial assets at fair value through other comprehensive income	(2,331,178)	2,819,227
Dividends received	1,416,861	1,265,725
Net cash (used in) / from investment activities	(5,427,303)	3,595,734
Financing activities		
Proceeds from financing from third party	1,704,064	-
Paid for settlement of financing from third party	(1,704,064)	-
Finance costs paid	(23,747)	-
Dividends paid	(6,861,442)	(6,839,551)
Net cash used in financing activities	(6,885,189)	(6,839,551)
Net (decrease) / increase in cash and cash equivalents	(939,412)	568,999
Cash and cash equivalents at beginning of the year	8,175,000	7,606,001
Cash and cash equivalents at end of the year (Note 11)	7,235,588	8,175,000
Non-cash transactions:		
Trade and other receivables	(631,502)	-
Property, machinery and equipment	(3,435,000)	-
Financial assets at fair value through profit or loss	1,273,180	-
Financial assets at fair value through other comprehensive income	(2,090,899)	-
Investment in an associate	2,090,899	-
Financing from third party	2,793,322	-

The accompanying notes on pages 9 to 42 form an integral part of these consolidated financial statements.

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 2023 by the Parent Company's Board of Directors on 13 February 2024, and are 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 2023

The Group has applied for the first time certain standards and amendments that are effective for annual periods beginning on or after 1 January 2023 (unless otherwise noted). The Company has not early adopted any other standard, interpretation or amendment 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 2023 (Continued)

Amendments to IAS (1) and IFRS Practice Statement (2) - Disclosure of Accounting Policies

The 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.

These amendments are not expected to have any impact on the Group's consolidated financial statements. However, they could affect accounting policy disclosures in the Group's consolidated financial statements.

IFRS 17: Insurance Contracts

IFRS 17: Insurance Contracts, a new comprehensive accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and reinsurance), regardless of the type of entity issuing them, in addition to certain guarantees and financial instruments with optional participation features; some scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurance companies. In contrast to the requirements in IFRS 4, which are largely based on approval of previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. 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.

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

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments to IAS 8 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.

These amendments are not expected to have any impact on the Group's consolidated financial statements.

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

b) Standards and amendments issued but not yet effective

The following amendments are effective for the period beginning on 1 January 2024:

- Sale and leaseback obligations (amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-current (Amendments to IAS (1) presentation of financial statements);
- Non-current liabilities with commitments (Amendments to IAS (1) presentation of financial statements); and
- Supplier financing arrangements (Amendments to IAS (7) Statement of Cash Flows and IAS (7) Financial Instruments: (Disclosures).

The following amendments are effective for the period beginning on 1 January 2025:

- Non-exchangeability (Amendments to IAS (21) Effect of Change in Foreign Currency Exchange Rate Translation).

The Group is currently evaluating the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS (1) will have a significant impact on the classification of its liabilities, as the conversion feature in convertible debt instruments is classified as equity instruments and therefore does not affect the classification of its convertible debts as non-current liabilities. The Group does not expect that any other standards issued by IASB, but not yet effective, or these amendments will have any impact on the Group's consolidated financial statements.

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 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.

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.

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**	
			2023	**2022**
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 2% in favor of the Parent Company.

3. Significant accounting policies (Continued)

3.5 Property, machinery and equipment

Property, machinery and equipment are recoginzed 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 capitalised.

The gain or loss arising on the disposal or retirement of an item of property, machinery 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 recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

3. Significant accounting policies (Continued)

3.6 Investment in an associate (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired and determine if necessary, to recognize any impairment loss with respect to the investment. If there is such evidence, the entire carrying amount of the investment (including goodwill) is tested for impairment and the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in consolidated statement of profit or loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized 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 financial 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 profit or loss, financial assets at fair value through other comprehensive income, trade and other payables and financing from third party.

Financial assets

Recognition, initial measurement and derecognition
To determine the 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 as well as characteristics of the contractual cash flows 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.

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.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (continued)

Recognition, initial measurement and derecognition (continued)
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 all risks and rewards of the financial assets ownership are transferred by the Group; 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. when 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 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 amortized cost include cash and cash equivalents, trade receivables, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss classified as debt instruments at amortised cost

Cash and cash equivalents
Cash and cash equivalents include cash on hand and at banks, cash at highly liquid investment portfolios which are exposed to insignificant risks in terms of changes in value.

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 rate method, less provision for impairment.

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

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (continued)

Subsequent measurement (continued)

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 retained 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 profit or loss
The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. 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 profit or loss represent quoted and unquoted equity investments.

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.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (continued)

Impairment of financial assets (continued)
For rade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on ECLs over the financial assets lifetime. Accordingly, the Group does not track changes in credit risk, but a loss allowance is recognized based on ECLs over the financial assets' lifetime at the date of each reporting period. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the customers 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.

"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.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (continued)

Impairment of financial assets (continued)
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, available losses are charged to the consolidated statement of profit or loss and recognized through other comprehensive income.

Financial liabilities

All financial liabilities are initially recognized at fair value and in case of loans, borrowings and creditors directly attributable transactions costs are discounted. All financial liabilities are subsequently measured at fair value through the consolidated statement of 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.

Financing from third party
Financing from third party is initially recognized at fair value less the incurred costs of the transaction. Subsequently, financing from third party is recognised at amortized cost. Differences between the collected amount (net of the transaction costs) and the recoverable amount are calculated in the consolidated statement of profit or loss during the borrowing period using the effective interest rate method. Fees paid to obtain financing from third parties are recognized within the costs of financing operations to the extent based on which all or some of such facilities are likely to be withdrawn in this case. Such expenses are deferred until withdrawal of the financing. To the extent of the non-existence of evidence of the probability to withdraw some or all the financing, fees shall be capitalized as an advance payment for liquidity services and amortized over the period of financing.

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.

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 a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

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 commission incurred by the Group is 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 the total invoiced value 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 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 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 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 revenues are recognized on 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.

3. Significant accounting policies (Continued)

3.9 Fair value measurement (Continued)

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:

- 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 or 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.

3. Significant accounting policies (Continued)

3.10 Equity and reserves (Continued)

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 retained earnings from prior years.

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.

3. Significant accounting policies (Continued)

3.14 Provisions (Continued)

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.

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 sale 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 inventory. 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 statement of 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 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. Significant accounting policies (Continued)

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. The 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. 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, retained earnings and the profit on sale of treasury shares. 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 of Directors' remuneration and after transferring to the statutory reserve.

3.20 Zakat

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

3.21 National Labour Support Tax

Zakat is calculated at 2.5% of the profit before deduction of the contribution to KFAS, Zakat, NLST and Board of Directors' remuneration in accordance with law No. 19 for 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. Significant accounting policies (Continued)

3.23 Borrowing costs

Borrowing costs include interests and other costs incurred by the Group with regard to borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of assets qualified for capitalization, which are assets that require long time to get ready for their intended use or sale, are added to the cost of those assets, until they become substantially ready for their intended use or sale. Investment revenues received from temporary investment of specific loans, invested during period of non-utilization in disbursement are deducted from the recoverable costs of finance.

Other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

3.24 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.

- **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.

3. Significant accounting policies (Continued)

3.24 Leases (Continued)

- **Lease liabilities (continued)**
  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.

- **Short-term leases and leases of low-value assets**
  The Group applies the short-term lease recognition exemption to its 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 accounting policies Note No. (3.8) require significant judgments.

Classification of properties
The Company decides on acquisition of a real estate property whether it should be classified as "trading", "property held for development", "investment property" or "property, machinery and equipment".

The Company classifies properties as properties, machinery and equipment if they are purchased to be used in production, services or for administrative purposes, and are expected to be used during more than one period.

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

Accounting judgments (Continued)

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.

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.

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

Estimation uncertainty (Continued)

Fair value of unquoted financial assets (continued)
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.

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 accounting policies' 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.

5. Property, machinery and equipment

	Leasehold lands & buildings improvements	Commercial ships	Plant and equipment	Furniture and fixtures	Vehicles	Tools and equipment	Silos	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost								
Balance at 1 January 2022	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
Additions	3,435,000	-	53,039	16,500	1,003,223	1,364,380	-	5,872,142
Disposals	-	-	-	-	(113,939)	-	-	(113,939)
Balance as at 31 December 2023	11,042,725	9,400,940	18,154,857	277,984	13,455,006	5,003,180	876,254	58,210,946
Accumulated depreciation								
Balance at 1 January 2022	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
Charged during the year	391,387	282,823	481,921	5,617	547,196	397,664	36,435	2,143,043
Related to disposals	-	-	-	-	(104,545)	-	-	(104,545)
Balance at 31 December 2023	7,892,643	8,269,647	16,739,609	255,518	11,092,801	3,031,642	420,085	47,701,945
Carrying value								
At 31 December 2023	3,150,082	1,131,293	1,415,248	22,466	2,362,205	1,971,538	456,169	10,509,001
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
Annual depreciation rates	5-20%	20%	20%	20%	10-20%	20%	10%	

- Buildings are constructed on a land leased from the State of Kuwait.
- The additions include buildings with a value of KD 3,435,000 that the Parent Company acquired according to a final ruling in its favor (Note 27), which is registered in the name of a local bank against an ijarah contract with a promise to ownership (Note 17).

6. Investment in an associate

Movement in investment in an associate is as follows:

	2023 KD	2022 KD
Balance at beginning of the year	2,707,103	3,760,018
Group's share of an associate's business results	4,153	(152,915)
Disposals during the year	(28,357)	-
Impairment losses in an associate	-	(900,000)
Transferred to financial assets at fair value through other comprehensive income	(2,682,899)	-
Net book value at the year end	-	2,707,103

The Group partially sold its investment in the Associate for KD 28,357, and the sale price was determined at the same carrying value and this did not result in any profit or loss. The Group's representative also resigned from membership of the Associate's board of directors, and accordingly, the Group lost significant influence over the Associate. The Group reclassified its investments in the Associate with carrying value of KD 2,682,899 to financial assets at fair value through other comprehensive income at its fair value of KD 2,090,899 at the transfer date. The reclassification led to a loss of KD 592,000 that was stated in the consolidated statement of profit or loss.

7. Financial assets at fair value through other comprehensive income

	2023 KD	2022 KD
Quoted financial assets	30,730,237	32,046,248
Unquoted financial assets	2,190,899	100,000
	32,921,136	32,146,248

Financial assets are valued at fair value through other comprehensive income in accordance with valuation techniques disclosed in Note (25).

8. Trade and other receivables

	2023 KD	2022 KD
Trade receivables (a)	32,042,746	33,816,269
Provision for doubtful debts	(5,513,921)	(5,513,921)
Net trade receivables	26,528,825	28,302,348
Prepayments	137,073	126,151
Other receivables	1,159,732	501,789
	27,825,630	28,930,288

8. Trade receivables and other receivables (Continued)

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:

	2023	2022
	KD	KD
Less than 90 days	13,184,943	14,929,291
90 - 180 days	12,670,956	12,690,560
181 - 365 days	1,408,160	1,410,339
Over one year	4,778,687	4,786,079
	32,042,746	33,816,269

Subsequent collections from trade receivables balances amounted at KD 11,686,208.

Disclosures relating to the credit risk exposure and analysis relating to the provision for doubtful debts are set forth in Note (24 - c).

9. Inventory

	2023	2022
	KD	KD
Raw materials	291,839	449,713
Cement	665,460	845,390
Steel	5,385,683	3,006,554
Cement sacks	60,524	129852
Goods in transit	415,803	1,779,752
Spare parts	613,507	723,250
Aggregate	799,304	680,272
	8,232,120	7,614,783
Provision for slow moving inventory	(27,701)	(27,701)
	8,204,419	7,587,082

10. Financial assets at fair value through profit or loss

	2023	2022
	KD	KD
Local quoted financial assets	13,172,848	11,515,932
Local unquoted financial assets	188,822	1,462,002
Foreign quoted financial assets	4,936	5,603
Foreign unquoted financial assets	55,747	55,747
	13,422,353	13,039,284

11. Cash and cash equivalents

	2023	2022
	KD	KD
Cash on hand	173,788	191,007
Bank balances	5,252,300	2,236,400
Cash at investment portfolios	1,809,500	5,747,593
	7,235,588	8,175,000

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 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 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.

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 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

	2023	2022
	KD	KD
Balance at beginning of the year	5,046,806	5,376,626
Provided during the year	529,288	1,389,422
Paid during the year	(137,355)	(1,719,242)
Balance at end of the year	5,438,739	5,046,806

16. Trade and other payables

	2023	2022
	KD	KD
Trade payables	13,769,921	12,357,295
Staff leaves payable	756,913	762,736
KAFS Payable (a)	70,527	54,790
NLST due	143,311	106,967
Zakat payable	57,325	42,787
Board of Directors' accrued remuneration	260,000	260,000
Accrued expenses	1,305,556	1,297,544
	16,363,553	14,882,119

a- The contribution to KFAS is calculated at 1% of the Company's profit before contribution to KFAS, Zakat and Board of Directors' remuneration after deducting the transferred amount to the statutory reserve account.

16. Trade and other payables (Continued)

Movement in Accrued KFAS is as follows:

	2023	2022
	KD	KD
Accrued KFAS at the beginning of the year	54,790	76,906
Charged during the year	70,527	54,790
Repayments during the year	(54,790)	(76,906)
Accrued KFAS at the end of the year	70,527	54,790

17. Financing from third party

Financing from third party represents an ijarah contract with a promise to buildings' ownership (Note 5), at 31 December 2023, it was agreed to amend ijarah's maturity date from 31 December 2023 to 5 August 2024 provided that the Group pay additional costs of KD 64,202.

	2023	2022
	KD	KD
Ijarah liability	2,750,000	-
Costs charged to ijarah contract	107,524	-
	2,857,524	-

18. Net investment gains

	2023	2022
	KD	KD
Realized (losses) / profits on sale of financial assets at fair value through profit or loss	(830,781)	478,292
Unrealized gain / (loss) from change in fair value of financial assets through profit or loss	354,535	(1,389,146)
Dividends income	1,416,861	1,265,725
	940,615	354,871

19. Other revenues

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

20. Basic earnings per share

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

	2023	2022
Net profit for the year (KD)	6,521,566	5,020,501
Weighted average number of outstanding shares (shares)	100,221,960	100,221,960
Basic earnings per share (fils)	65.07	50.09

21. Staff costs and depreciation

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

	2023	2022
	KD	KD
Staff costs		
Cost of sales	2,212,957	2,106,000
General and administration expenses	107,993	102,773
	2,320,950	2,208,773
Depreciation		
Cost of sales	2,140,726	994,093
General and administrative expenses	2,317	3,692
	2,143,043	997,785

22. 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 to be approved by the Group's management.

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

	2023	2022
	KD	KD
Transactions included in the consolidated statement of profit or loss:		
Key management personnel benefits		
Salaries and short-term benefits	783,516	693,200
Employees' end of service indemnity	191,710	119,387
Directors' remuneration	260,000	260,000

23. Segment 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

23. Segment Information (Continued)

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

	Operating segments revenues		Net profit of operating segments	
	2023	2022	2023	2022
	KD	KD	KD	KD
Cement, steel, aggregate and ready mix	145,789,141	132,479,345	5,925,223	5,867,623
Investments	-	-	353,592	(696,204)
Total for operations	145,789,141	132,479,345	6,278,815	5,171,419
Unallocated income			2,587,266	2,108,125
General, administrative and distribution expenses			(1,725,403)	(1,800,577)
Finance costs			(87,949)	-
Withholdings and tax			(271,163)	(198,466)
Board of Directors' remuneration			(260,000)	(260,000)
Net profit for the year			6,521,566	5,020,501

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

	2023	2022
	KD	KD
Assets		
Cement, steel, aggregate and ready mix	53,774,638	51,481,666
Investments	46,343,489	47,892,635
	100,118,127	99,374,301

	2023	2022
	KD	KD
Liabilities		
Cement, steel, aggregate and ready mix	21,802,292	19,928,925
Unallocated	3,951,790	940,218
	25,754,082	20,869,143

24. 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 to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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.

24. Financial risk management (Continued)

b) Categories of financial instruments

	2023	2022
	KD	KD
Financial assets		
Cash and cash equivalents	7,235,588	8,175,000
Trade and other receivables	27,825,630	28,930,288
Financial assets at fair value through profit or loss	13,422,353	13,039,284
Financial assets at fair value through other comprehensive income	32,921,136	32,146,248
Financial liabilities		
Trade and other payables	16,363,553	14,882,119
Financing from third party	2,857,524	-

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 engage with the Group on alternative payment arrangement - among others - is considered an indicator of no reasonable expectation of recovery and therefore is considered as credit impaired.

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

24. Financial risk management (Continued)

c) Credit risk (Continued)

Trade receivables and other debit balances (continued)

31 December 2023	1 – 90 days	91 – 180 days	181 – 365 days	More than 365 days	Total
	KD	KD	KD	KD	KD
Approximate doubtful debts rate (%)	1.31%	3.12%	11.87%	100%	-
Doubtful debts	172,358	395,749	167,127	4,778,687	5,513,921

31 December 2022	1 – 90 days	91 – 180 days	181 – 365 days	More than 365 days	Total
	KD	KD	KD	KD	KD
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

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-month expected loss. Cash at banks is 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:

	2023	2022
	KD	KD
Trade and other receivables (excluding advance payments)	27,688,557	28,804,137
Cash and cash equivalents	7,235,588	8,175,000
	34,924,145	36,979,137

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.

24. Financial risk management (Continued)

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 risk, consist principally of financial assets at fair value through 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 to a reasonable change in equity indices as a result of change in the fair value of the Group's equity instruments as of the date of consolidated financial statements:

	Change in equity instruments price	Effect on the consolidated statement of profit or loss	
		2023	2022
		KD	KD
Financial assets at fair value through profit or loss	± 5%	± 671,118	± 651,964

	Change in equity instruments price	Effect on the consolidated statement of profit or loss and other comprehensive income	
		2023	2022
		KD	KD
Financial assets at fair value through other comprehensive income	± 5%	± 1,646,057	± 1,607,312

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 following table demonstrates the sensitivity to a reasonably possible change in interest rates, with other variables held constant, of the Group's profit through the impact of changing the borrowing interest rate:

	Change in interest rate	Effect on the consolidated statement of profit or loss	
		2023	2022
		KD	KD
Financing from third party	± 0.5%	± 14,288	-

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.

24. 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 undiscounted repayment obligations:

31 December 2023	**1 to 3 months**	**3 to 12 months**	**Total**
	KD	KD	KD
Trade and other payables	13,090,842	3,272,711	16,363,553
Dividends payable	-	1,094,266	1,094,266
Financing from third party	45,330	2,812,194	2,857,524
Total liabilities	13,136,172	7,179,171	20,315,343

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
Total liabilities	10,233,335	5,589,002	15,822,337

25. Fair value of financial instruments

The Group measures the financial assets, such as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, at fair value at the financial period end date.

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

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

All assets and liabilities, measured or disclosed at fair value, are classified in the consolidated financial statements through a fair value hierarchy based on the lowest significant inputs level in proportion to the fair value measurement as a whole, as following:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest significant inputs level in proportion to the fair value measurement is unobservable.

25. Fair value of financial instruments (Continued)

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 3	Total
	KD	KD	KD
31 December 2023			
Financial assets at fair value through profit or loss			
Quoted equities	13,177,784	-	13,177,784
Unquoted equities	-	244,569	244,569
Total	13,177,784	244,569	13,422,353
Financial assets at fair value through other comprehensive income			
Quoted equities	30,730,237	-	30,730,237
Unquoted equities	-	2,190,899	2,190,899
Total	30,730,237	2,190,899	32,921,136

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

26. Contingent liabilities

	2023	2022
	KD	KD
Letters of guarantee	32,102,433	32,040,433

27. Lawsuits and claims

During the year, an appeal judgment was issued in favor of the Parent Company in the amount of KD 1,273,180 related to a claim for the value of a real estate portfolio and its returns, after the court deducted the value of two real estate owned by a Kuwaiti bank from the dues of the aforementioned Company, charged with indebtedness to the bank, and this judgment is being appealed by cassation to claim the rest of the dues.

27. Lawsuits and claims (Continued)

The effect of the above ruling is as follows:

	2023
	KD
Total due to the Parent Company according to the issued ruling	1,273,180
Addition of leased real estate properties based on valuation from an accredited valuer to property, machinery and equipment (Note 5)	3,435,000
Addition of indebtedness represented in ijarah contract	(2,793,322)
Total amount of recoveries from financial assets at fair value through profit or loss	641,678
The residual of the total balance of the real estate portfolio within financial assets at fair value through profit or loss and transferred to trade and other receivables according to the judgment issued in favor of the Parent Company.	631,502

The Group has other judicial claims, represented in cases filed by the Group against others and by others against the Group, and it is not possible to estimate the results that will result from them until they are decided by the judiciary. In the opinion of the Group's legal advisor, these claims will not have a material negative impact on the Group's consolidated financial statements, and accordingly, the Group has not recorded any provisions for these cases as of the date of the consolidated financial statements.

28. General Assembly of Shareholders

The Board of Directors proposed through its meeting held on 13 February 2024 to distribute cash dividends at 70% of the share capital at 70 fils per share for the financial year ended 31 December 2023, and to grant a remuneration of KD 260,000 to the Board of Directors. These proposals are subject to the approval of the Shareholders' Annual General Assembly.

On 2 May 2023, the General Assembly of Shareholders was held and approved the consolidated financial statements for the financial year ended 31 December 2022 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 17 May 2023 (2022: cash dividends at 70% of the share capital representing 70 fils per share). It also approved a remuneration of KD 260,000 to the Board of Directors.

29. Comparative figures

Certain comparative figures have been reclassified to conform to current presentation of the consolidated financial statements and this has no impact on the profit for the year or equity.