Al Kout Industrial Projects Company K.P.S.C.
and its subsidiaries

Interim condensed consolidated financial information and review report for the three month period ended 31 March 2014 (Unaudited)

Al Kout Industrial Projects Company K.P.S.C. and its subsidiaries

Interim condensed consolidated financial information (Unaudited)
For the three month period ended 31 March 2014

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Independent auditors' report on review of interim condensed consolidated financial information to the Board of Directors' of Al Kout Industrial Projects Company K.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Kout Industrial Projects Company K.P.S.C. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 31 March 2014, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The Parent Company's Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditors' of the Entity." A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that nothing has come to our attention indicating any contravention during the three month period ended 31 March 2014, of the Companies Law No. 25 of 2012, as amended, or of the Parent Company's Articles and Memorandum of Association, as amended, that might have had a material effect on business of the Group or on its interim condensed consolidated financial position.

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Kuwait: 29 April 2014

Al-Kout Industrial Projects Company K.P.S.C. and its subsidiaries

Interim condensed consolidated statement of financial position (Unaudited)
As at 31 March 2014

	Notes	(Unaudited) 31 March 2014 KD	(Audited) 31 December 2013 KD	(Unaudited) 31 March 2013 KD
ASSETS				
Non-current assets				
Property, plant and equipment		15,992,434	15,663,271	13,113,170
Investment in associate		11,131,840	11,031,840	11,221,440
		27,124,274	26,695,111	24,334,610
Current assets				
Inventories		2,105,456	2,325,100	1,534,797
Trade receivables		3,628,329	2,778,461	2,824,384
Other receivables		726,076	824,851	3,049,844
Investments at fair value through profit or loss		-	-	10,000
Cash and cash equivalents	3	476,179	1,226,954	3,413,350
		6,936,040	7,155,366	10,832,375
Total assets		34,060,314	33,850,477	35,166,985
EQUITY AND LIABILITIES				
Equity				
Share capital	4	8,820,000	8,820,000	8,820,000
Statutory reserve		4,097,514	4,097,514	3,543,900
Voluntary reserve		4,059,507	4,059,507	3,505,893
Group's share of associate's reserves		-	-	(10,984)
Foreign currency translation reserve		129,862	135,399	43,361
Retained earnings		10,147,222	8,676,367	9,219,033
Total equity		27,254,105	25,788,787	25,121,203
Non-current liabilities				
Non-current portion of term loans	5	3,033,975	3,047,600	4,773,800
Provision for staff indemnity		1,481,007	1,380,262	1,198,505
		4,514,982	4,427,862	5,972,305
Current liabilities				
Trade and other payables	6	2,091,227	2,303,628	1,781,077
Current portion of term loans	5	200,000	1,330,200	2,292,400
		2,291,227	3,633,828	4,073,477
Total liabilities		6,806,209	8,061,690	10,045,782
Total equity and liabilities		34,060,314	33,850,477	35,166,985

The notes on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

Fahed Y. Al-Jouan
Chairman

Al-Kout Industrial Projects Company K.P.S.C. and its subsidiaries

Interim condensed consolidated statement of income (Unaudited)
Period ended 31 March 2014

	Note	Three months ended 31 March 2014 KD	Three months ended 31 March 2013 KD
Revenue		4,266,937	4,134,489
Cost of sales		(2,247,754)	(2,179,652)
Gross profit		2,019,183	1,954,837
Unrealised loss on investments at fair value through profit or loss		-	(250,158)
Share of results of associate		100,000	70,943
Other income		55,192	25,136
Foreign exchange gain / (loss)		6,199	44,981
General and administrative expenses		(480,589)	(338,722)
Selling and distribution expenses		(131,965)	(134,227)
Finance costs		(9,560)	(105,552)
Profit before provisions for Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors' remuneration		1,558,460	1,267,238
KFAS		(13,026)	(11,405)
NLST		(41,485)	(37,169)
Zakat		(15,594)	(14,158)
Board of Directors' remuneration		(17,500)	(29,000)
Profit for the period		1,470,855	1,175,506
Earnings per share (basic and diluted)	7	**16.68 fils**	13.33 fils

The notes on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

Al-Kout Industrial Projects Company K.P.S.C. and its subsidiaries

Interim condensed consolidated statement of comprehensive income (Unaudited)
Period ended 31 March 2014

	Three months ended 31 March	
	2014	**2013**
	KD	KD
Profit for the period	1,470,855	1,175,506
Other comprehensive income		
Items that may be reclassified subsequently to consolidated statement of income		
Foreign exchange translation adjustments	(5,537)	(44,261)
Other comprehensive loss for the period	(5,537)	(44,261)
Total comprehensive income for the period	1,465,318	1,131,245

The notes on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

Al-Kout Industrial Projects Company K.P.S.C. and its subsidiaries

Interim condensed consolidated statement of changes in equity (Unaudited)
Period ended 31 March 2014

	Share capital	Statutory reserve	Voluntary reserve	Group's share of associate's reserves	Foreign currency translation reserve	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2014	8,820,000	4,097,514	4,059,507		135,399	8,676,367	25,788,787
Profit for the period	-	-	-	-	-	1,470,855	1,470,855
Other comprehensive loss for the period	-	-	-	-	(5,537)	-	(5,537)
Total comprehensive income for the period	-	-	-	-	(5,537)	1,470,855	1,465,318
Balance at 31 March 2014	8,820,000	4,097,514	4,059,507	-	129,862	10,147,222	27,254,105
Balance at 1 January 2013	8,820,000	3,543,900	3,505,893	(10,984)	87,622	8,043,527	23,989,958
Profit for the period	-	-	-	-	-	1,175,506	1,175,506
Other comprehensive loss for the period	-	-	-	-	(44,261)	-	(44,261)
Total comprehensive income for the period	-	-	-	-	(44,261)	1,175,506	1,131,245
Balance at 31 March 2013	8,820,000	3,543,900	3,505,893	(10,984)	43,361	9,219,033	25,121,203

The notes on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

Al Kout Industrial Projects Company K.P.S.C. and its subsidiaries

Interim condensed consolidated statement of cash flows (Unaudited)
Period ended 31 March 2014

	Note	Three months ended 31 March 2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit before taxes and Board of Directors' remuneration		1,558,460	1,267,238
Adjustments for:			
Depreciation		647,393	527,366
Provision for staff indemnity		178,008	140,125
Finance costs		9,560	105,552
Provision for slow moving inventories		75,000	91,990
Share of results of associate		(100,000)	(70,943)
Unrealised loss on investments at fair value through profit or loss		-	250,158
		2,368,421	2,311,486
Movements in working capital:			
Inventories		144,643	30,414
Trade receivables		(849,867)	137,405
Other receivables		98,775	(1,533,774)
Trade and other payables		(243,789)	(333,620)
Cash generated from operations		1,518,183	611,911
KFAS paid		(41,812)	(42,656)
NLST paid		-	(140,754)
Zakat paid		-	(54,159)
Staff indemnity paid		(77,263)	(12,757)
Net cash from operating activities		1,399,108	361,585
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(980,345)	(285,842)
Investment in associate		-	(570,000)
Net cash used in investing activities		(980,345)	(855,842)
FINANCING ACTIVITIES			
Net movement in term loans		(1,127,900)	193,571
Finance costs paid		(36,101)	(74,017)
Net cash (used in) / from financing activities		(1,164,001)	119,554
Effect of foreign currency translation		(5,537)	(44,261)
Net decrease in cash and cash equivalents		(750,775)	(418,964)
Cash and cash equivalents at beginning of the period		1,226,954	3,832,314
Cash and cash equivalents at end of the period	3	476,179	3,413,350

The notes on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

1. GENERAL INFORMATION

Al Kout Industrial Projects Company K.P.S.C. ("the Parent Company") is a public shareholding company incorporated under the laws of the State of Kuwait on 28 December 1993, and is listed on the Kuwait Stock Exchange.

The address of the Parent Company's registered office is P.O. Box, 10277, Shuaiba 65453, State of Kuwait.

The principal activities of the Parent Company as per Articles of Association and the Industrial licence issued by Public Authority for Industry are as follows:

- Production of chlorine and salt, steel drums to fill soda solid and other petrochemical products (after approval of Public Authority for Industry).
- Transport Company's products inside and outside the State of Kuwait according to Company's objectives.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside Kuwait.
- Acquisition of movables and properties necessary for the Company to practice its activities pursuant to the limits prescribed by law.
- Investing surplus funds in portfolios managed by specialized financial companies.
- The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Parent Company achieve its objectives inside Kuwait and abroad. The Parent Company may also purchase such entities or affiliate them.

The interim condensed consolidated financial information of the Group for the three month period ended 31 March 2014 were authorized for issue in accordance with a resolution by the Board of Directors' of the Parent Company on 29 April 2014.

2. BASIS OF PREPARATION

These interim condensed consolidated financial information have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of consolidated financial statements and should be read in conjunction with the 2013 annual consolidated financial statements. In the opinion of management all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the three month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2013, except for the following:

2. BASIS OF PREPARATION (continued)

- ***Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)***
  Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:

  - provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;
  - require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries;
  - require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

  These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

- ***IAS 32 Offsetting Financial Assets and Financial Liabilities***
  The amendment to IAS 32 Financial Instruments: Presentation clarifies certain aspects because of diversity in application of the requirements on offsetting, focusing on the following aspects:

  - the meaning of 'currently has a legally enforceable right of set-off';
  - the application of simultaneous realisation and settlement;
  - the offsetting of collateral amounts;
  - the unit of account for applying the offsetting requirements.

  These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

- ***IAS 36 Recoverable Amount Disclosures for Non-Financial Assets***
  The amendment to IAS 36 Impairment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

  These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

  These amendments became effective on 1 January 2014. These amendments had no impact on the Group.

Basis of consolidation

This interim condensed consolidated financial information for the three month period ended 31 March 2014 includes the Parent Company and its subsidiaries. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-Group balances and transactions, and any realized gains arising from intra-Group transactions, are eliminated in preparing these interim condensed consolidated financial information.

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial information of the subsidiaries have been consolidated based on the management accounts for the three month period ended 31 March 2014. The Group's management do not expect any material differences in the figures if reviewed financial information would have been available as at 31 March 2014.

3. CASH AND CASH EQUIVALENTS

	(Unaudited) 31 March 2014	(Audited) 31 December 2013	(Unaudited) 31 March 2013
	KD	KD	KD
Cash in hand	16,719	13,250	13,190
Cash at banks	459,004	1,213,249	3,387,116
Cash in portfolio	456	455	13,044
	476,179	1,226,954	3,413,350

4. SHARE CAPITAL

	(Unaudited) 31 March 2014	(Audited) 31 December 2013	(Unaudited) 31 March 2013
	KD	KD	KD
Authorised, issued and fully paid: 88,200,000 shares of nominal value of 100 fils each paid in cash	8,820,000	8,820,000	8,820,000

5. TERM LOANS

	(Unaudited) 31 March 2014	(Audited) 31 December 2013	(Unaudited) 31 March 2013
	KD	KD	KD
Current portion	200,000	1,330,200	2,292,400
Non-current portion	3,033,975	3,047,600	4,773,800
	3,233,975	4,377,800	7,066,200

Term loans from local banks carry effective interest rate ranging from 2.8% to 3.5% (31 December 2013: 2.8% to 3.5% and 31 March 2013: 2.8% to 3.5%) per annum.

The carrying amounts of the Group's term loans are denominated in the following currencies:

	(Unaudited) 31 March 2014	(Audited) 31 December 2013	(Unaudited) 31 March 2013
	KD	KD	KD
KD	1,400,000	1,400,000	2,925,000
United States Dollars ("USD")	1,833,975	2,977,800	4,141,200
	3,233,975	4,377,800	7,066,200

The Parent Company's buildings, plant, machinery and electrolyzers are pledged as collateral against the term loans.

6. TRADE AND OTHER PAYABLES

	(Unaudited) 31 March 2014	(Audited) 31 December 2013	(Unaudited) 31 March 2013
	KD	KD	KD
Trade payables	507,073	445,526	427,859
Freight payable	8,867	12,458	5,770
Advance from customers	113,181	174,360	126,198
Retention payable	83,654	84,926	71,457
Accrued contractors expenses	15,977	19,188	15,382
Accrued utility charges	350,498	322,675	443,901
Employees' accrued leave pay	141,548	136,915	121,946
KFAS payable	13,026	41,812	11,406
NLST payable	156,429	114,944	67,682
Zakat payable	114,653	99,059	74,295
Accrued interest	2,013	16,416	17,795
Directors remuneration payable	87,500	70,000	70,000
Provision for staff bonus	279,594	560,895	90,786
Others	217,214	204,454	236,600
	2,091,227	2,303,628	1,781,077

7. EARNINGS PER SHARE

Earnings per share is computed by dividing the profit for the period by the weighted average number of shares outstanding for the period:

	Three months ended 31 March	
	2014	2013
	KD	KD
Profit for the period (KD)	1,470,855	1,175,506
Number of shares outstanding during the period (shares)	88,200,000	88,200,000
Earnings per share (basic and diluted) (fils)	16.68	13.33

8. RELATED PARTY TRANSACTIONS

Related parties primarily comprise subsidiaries, associates, significant shareholders, directors and key management personnel of the Group, their families and entities of which they are principal owners. All related party transactions are carried at terms approved by the Group's management.

Transactions with related parties included in the interim condensed consolidated statement of income as follows:

	Three months ended 31 March	
	2014	2013
	KD	KD
Key management compensation		
Salaries and other short-term benefits	81,508	92,466
Executive committee fees	15,000	15,000
Termination benefits	21,995	7,650
	118,503	115,116

9. SEGMENT INFORMATION

The Group identifies its operating segments based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Parent Company's Chief Executive Officer is the Group's chief operating decision maker and has grouped the Group's products and services into the following operating segments.

a. Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

	Three months ended 31 March			
	2014	**2013**	**2014**	**2013**
	KD	KD	KD	KD
	Revenue		**Segment result**	
Chlor Alkali	4,055,018	3,879,598	1,999,870	1,927,404
Petrochemical products	179,612	180,240	13,336	13,622
Logistics and transport	32,307	74,651	5,977	13,811
	4,266,937	4,134,489	2,019,183	1,954,837
Investment income (net)			-	(250,158)
Share of results of associate			100,000	70,943
Other income			55,192	70,117
Finance costs			(9,560)	(105,552)
Unallocated expenses			(693,960)	(564,681)
Profit for the period			1,470,855	1,175,506

b. Segment assets and liabilities

	(Unaudited) 31 March 2014	(Audited) 31 December 2013	(Unaudited) 31 March 2013
	KD	KD	KD
Segment assets			
Chlor Alkali	20,963,194	20,865,925	22,273,465
Petrochemical products	100,000	100,000	100,000
Logistics and Transport	1,857,884	1,845,316	1,554,684
Investments	11,139,236	11,039,236	11,238,836
Total consolidated segment assets	34,060,314	33,850,477	35,166,985
Segment liabilities			
Chlor Alkali	6,567,679	7,850,689	9,837,296
Logistics and Transport	238,530	211,001	208,486
Total consolidated segment liabilities	6,806,209	8,061,690	10,045,782

c. Geographical segments

	Three months ended 31 March	
	2014	**2013**
	KD	KD
Kuwait and Middle East	3,927,292	3,763,347
Europe and Africa	306,549	371,142
Asia	33,096	-
Total consolidated segment revenue	4,266,937	4,134,489

10. COMMITMENTS AND CONTINGENT LIABILITIES

	(Unaudited) 31 March 2014	(Audited) 31 December 2013	(Unaudited) 31 March 2013
	KD	KD	KD
Capital commitments			
For the acquisition of property, plant and equipment	554,208	277,078	1,132,504
Contingent liabilities			
Letters of guarantee	2,397,845	2,244,504	3,382,385
Letters of credit	468,842	46,548	573,594
	2,866,687	2,291,052	3,955,979

Operating lease commitments

The minimum operating lease commitments under non-cancellable operating leases are as follows:

	(Unaudited) 31 March 2014	(Audited) 31 December 2013	(Unaudited) 31 March 2013
	KD	KD	KD
Not later than one year	16,925	52,354	31,236
Later than one year but not later than five years	11,047	33,803	33,556

11. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly meeting of shareholders held on 21 April 2014, approved the consolidated financial statements of the Group for the year ended 31 December 2013, and approved a cash dividend equivalent to 40% (31 December 2012: 40%) of the paid up share capital to the shareholders of record as of the date of the Annual General Assembly.