

**AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT**

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017 (UNAUDITED)

AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)
For the period from 1 January to 30 June 2017

Index	Pages
Independent auditors' report on review of interim condensed consolidated financial information	1-2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of income	4
Interim condensed consolidated statement of comprehensive income	5
Interim condensed consolidated statement of changes in equity	6
Interim condensed consolidated statement of cash flows	7
Notes to the interim condensed consolidated financial information	8-15



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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 30 June 2017, and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended. The Parent Company's Management is responsible for the preparation and 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor 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, 'Interim financial reporting'.

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. (Continued)

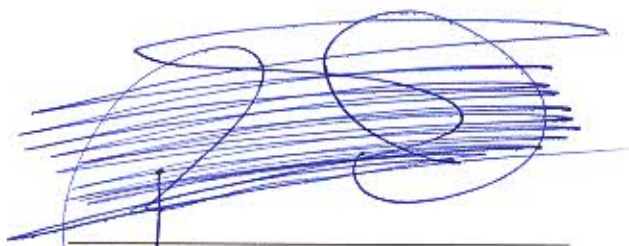
Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, nothing has come to our attention indicating that the interim condensed consolidated financial information is not in agreement with the books of accounts of the parent company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies' Law No. 1 of 2016, its executive bylaws, provision of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations, nor of the parent company's articles and memorandum of association during the six month period ended 30 June 2017 that might have had a material effect on the business of the group or on its consolidated financial position.



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Al Kout Industrial Projects Company K.P.S.C. and Its Subsidiaries

Interim condensed consolidated statement of financial position

(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2016 (Unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment		17,062,261	17,469,807	17,328,155
Investment in an associate	4	9,084,766	8,936,918	8,824,066
Available-for-sale financial asset		1,747,762	1,765,394	-
		<u>27,894,789</u>	<u>28,172,119</u>	<u>26,152,221</u>
Current assets				
Inventories		1,773,912	1,672,649	1,814,092
Trade and other receivables	5	8,776,885	6,796,943	5,104,532
Cash and bank balances	6	1,236,915	775,279	993,242
		<u>11,787,712</u>	<u>9,244,871</u>	<u>7,911,866</u>
Total assets		<u>39,682,501</u>	<u>37,416,990</u>	<u>34,064,087</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	7	10,090,080	10,090,080	10,090,080
Statutory reserve		5,186,422	5,186,422	5,186,422
Voluntary reserve		5,148,415	5,148,415	5,148,415
Share of an associate's reserve		283,009	283,009	283,555
Foreign currency translation reserve		546,362	601,721	514,937
Fair value reserve		16,318	33,950	-
Retained earnings		9,071,421	10,374,672	7,465,933
Total equity		<u>30,342,027</u>	<u>31,718,269</u>	<u>28,689,342</u>
Liabilities				
Non-current liabilities				
Murabaha facility	9	3,000,000	-	-
Post-employment benefits		1,838,101	1,772,051	1,681,117
		<u>4,838,101</u>	<u>1,772,051</u>	<u>1,681,117</u>
Current liabilities				
Trade and other payables	8	3,272,239	2,926,670	2,693,628
Current portion of term loan	9	1,000,000	1,000,000	1,000,000
Bank overdraft	6	230,134	-	-
		<u>4,502,373</u>	<u>3,926,670</u>	<u>3,693,628</u>
Total liabilities		<u>9,340,474</u>	<u>5,698,721</u>	<u>5,374,745</u>
Total equity and liabilities		<u>39,682,501</u>	<u>37,416,990</u>	<u>34,064,087</u>

Fahed Y. Al-Jouan
Chairman



The accompanying notes set out on pages 8 to 15 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 income

(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue		5,894,055	3,967,610	11,039,841	7,979,195
Cost of sales of goods		(3,261,273)	(2,221,917)	(6,029,018)	(4,444,561)
Gross profit		2,632,782	1,745,693	5,010,823	3,534,634
Selling and distribution expenses		(149,986)	(170,771)	(339,712)	(325,112)
General and administrative expenses	10	(613,912)	(337,311)	(1,016,368)	(679,741)
Other income	11	76,851	36,457	128,407	315,835
Operating profit		1,945,735	1,274,068	3,783,150	2,845,616
Finance costs		(22,159)	(7,890)	(27,460)	(7,890)
Foreign currency exchange gain		26,135	23,183	50,539	60,759
Share of results of an associate		140,231	130,513	147,848	203,569
Profit before provisions for Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors' remuneration		2,089,942	1,419,874	3,954,077	3,102,054
KFAS		(19,497)	(12,894)	(38,062)	(28,985)
NLST		(52,926)	(13,241)	(100,503)	(29,522)
Zakat		(19,768)	(36,370)	(38,723)	(78,895)
Board of Directors' remuneration		(17,500)	(17,500)	(35,000)	(35,000)
Profit for the period		1,980,251	1,339,869	3,741,789	2,929,652
Earnings per share (basic and diluted) (fils)	12	19.63	13.28	37.08	29.03

The accompanying notes set out on pages 8 to 15 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

(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Profit for the period	1,980,251	1,339,869	3,741,789	2,929,652
Other comprehensive income				
<i>Items that may be reclassified subsequently to interim condensed consolidated statement of income</i>				
Foreign exchange translation adjustments	(27,103)	15,364	(55,359)	(17,131)
Change in fair value of available-for-sale financial asset	(17,632)	-	(17,632)	-
Other comprehensive (loss) / income for the period	(44,735)	15,364	(72,991)	(17,131)
Total comprehensive income for the period	1,935,516	1,355,233	3,668,798	2,912,521

The accompanying notes set out on pages 8 to 15 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
(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Share capital	Statutory reserve	Voluntary reserve	Share of an associate's reserve	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2016	9,702,000	5,186,422	5,148,415	283,555	532,068	-	8,805,161	29,657,621
Profit for the period	-	-	-	-	-	-	2,929,652	2,929,652
Other comprehensive loss for the period	-	-	-	-	(17,131)	-	-	(17,131)
Total comprehensive (loss) / income for the period	-	-	-	-	(17,131)	-	2,929,652	2,912,521
Issue of bonus shares	388,080	-	-	-	-	-	(388,080)	-
Dividends paid (note 14)	-	-	-	-	-	-	(3,880,800)	(3,880,800)
Balance at 30 June 2016 (Unaudited)	10,090,080	5,186,422	5,148,415	283,555	514,937	-	7,465,933	28,689,342
Balance at 1 January 2017	10,090,080	5,186,422	5,148,415	283,009	601,721	33,950	10,374,672	31,718,269
Profit for the period	-	-	-	-	-	-	3,741,789	3,741,789
Other comprehensive loss for the period	-	-	-	-	(55,359)	(17,632)	-	(72,991)
Total comprehensive (loss) / income for the period	-	-	-	-	(55,359)	(17,632)	3,741,789	3,668,798
Dividends paid (note 14)	-	-	-	-	-	-	(5,045,040)	(5,045,040)
Balance at 30 June 2017 (Unaudited)	10,090,080	5,186,422	5,148,415	283,009	546,362	16,318	9,071,421	30,342,027

The accompanying notes set out on pages 8 to 15 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

(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Six months ended	
	30 June	
Note	2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities		
Profit for the period before taxes and Board of Directors' remuneration	3,954,077	3,102,054
Adjustments for:		
Depreciation	1,604,172	1,562,166
Provision for post-employment benefits	146,618	128,551
Finance costs	27,460	7,890
Share of results of an associate	(147,848)	(203,569)
Dividends income	(54,695)	-
Gain on sale of property, plant and equipment	-	(3,450)
	<u>5,529,784</u>	<u>4,593,642</u>
Changes in working capital		
Inventories	(101,263)	(183,251)
Trade and other receivables	(1,979,942)	590,441
Trade and other payables	470,523	(21,234)
Cash generated from operations	3,919,102	4,979,598
KFAS paid	(58,723)	(44,830)
NLST paid	(158,349)	(85,160)
ZAKAT paid	(60,170)	-
Post-employment benefits paid	(80,568)	(74,766)
Board of Directors' remuneration paid	(60,000)	(70,000)
Net cash generated from operating activities	<u>3,501,292</u>	<u>4,704,842</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,257,434)	(2,192,162)
Dividends income received	54,695	-
Proceeds from sale of property, plant and equipment	-	3,450
Net cash used in investing activities	<u>(1,202,739)</u>	<u>(2,188,712)</u>
Cash flows from financing activities		
Proceeds from murabaha facility	3,000,000	1,000,000
Finance costs paid	(27,460)	(7,890)
Dividends paid	(5,045,040)	(3,880,800)
Net cash used in financing activities	<u>(2,072,500)</u>	<u>(2,888,690)</u>
Effect of foreign currency translation	5,449	(644)
Net increase / (decrease) in cash and cash equivalents	231,502	(373,204)
Cash and cash equivalents at beginning of the period	775,279	1,366,446
Cash and cash equivalents at end of the period	<u>6</u> <u>1,006,781</u>	<u>993,242</u>

The accompanying notes set out on pages 8 to 15 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

(All amounts in Kuwaiti Dinars unless indicated otherwise)

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 Group 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 parent 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 Group 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 six month period ended 30 June 2017 were authorized for issue in accordance with a resolution by the Board of Directors' of the Parent Company on 10 August 2017.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information has been prepared in accordance with International Financial Reporting Standard 34, "Interim Financial Reporting (IAS 34)". It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016, and any public announcements made by Group during the interim reporting period. 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 six month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017. 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 the annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

