

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)**

30 JUNE 2021





Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

INDEPENDENT AUDITOR’S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Kout Industrial Projects Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 30 June 2021, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended. The management of the Parent Company 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

Except as explained in the following paragraph, 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, it 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.

Basis for Qualified Conclusion

The Group’s investment in Al Dorra Petroleum Services Company K.S.C. (Closed), an associate accounted for using the equity method, is carried at KD 3,005,852 on the interim condensed consolidated statement of financial position as at 30 June 2021, and the Group’s share of loss of an associate amounting KD 41,167 included in the interim condensed consolidated statement of profit or loss and the Group’s share of other comprehensive income amounting to KD 47,019 included in the interim condensed consolidated statement of comprehensive income for the period then ended are based on management accounts, as reviewed interim condensed consolidated financial information is not available in respect of this associate as at the authorisation date of the Group’s interim condensed consolidated financial information. As a result, we were unable to obtain sufficient appropriate evidence about the carrying amount of the Group’s investment in the associate as at 30 June 2021 and the Group’s share of loss and other comprehensive income for the period then ended. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the “Basis for Qualified Conclusion” paragraph of our report, 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.



INDEPENDENT AUDITOR’S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, except for the possible effects of the matter described in the “*Basis for Qualified Conclusion*” paragraph above, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, except for the possible effects of the matter described in the “*Basis for Qualified Conclusion*” paragraph above, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the six-month period ended 30 June 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, except for the possible effects of the matter described in the “*Basis for Qualified Conclusion*” paragraph above, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the six-month period ended 30 June 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207-A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)

11 August 2021
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 30 June 2021

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2021	2020	2021	2020
		KD	KD	KD	KD
Revenue from contracts with customers	3	7,967,980	5,573,235	14,828,822	12,631,224
Cost of sales and services rendered		(5,541,258)	(4,096,904)	(10,092,675)	(9,088,852)
GROSS PROFIT		2,426,722	1,476,331	4,736,147	3,542,372
Commission income		15,062	12,681	24,131	21,725
Other income		43,507	29,835	61,406	63,009
General and administrative expenses		(682,325)	(686,905)	(1,367,008)	(1,398,603)
Other expenses		(130,539)	(151,711)	(256,428)	(332,173)
Reversal (charge) of allowance for expected credit losses of trade receivables		8,583	(7,256)	45,287	(122,704)
Net foreign exchange differences		(29,789)	(36,116)	(45,702)	46,334
OPERATING PROFIT		1,651,221	636,859	3,197,833	1,819,960
Share of results of an associate		(41,167)	(37,343)	(41,167)	(74,947)
Changes in fair value of financial assets at FVPL		(139,996)	(158,745)	(240,716)	(256,272)
Dividend income		-	36,466	-	36,466
Finance costs		(33,395)	(27,087)	(83,457)	(57,829)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		1,436,663	450,150	2,832,493	1,467,378
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		(13,955)	(4,874)	(27,913)	(15,422)
National Labour Support Tax ("NLST")		(39,206)	(12,776)	(72,737)	(39,472)
Zakat		(16,094)	(5,483)	(29,506)	(16,538)
Directors' remuneration		(2,000)	(16,500)	(7,500)	(33,000)
PROFIT FOR THE PERIOD		1,365,408	410,517	2,694,837	1,362,946
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	4	13.53 Fils	4.07 Fils	26.71 Fils	13.51 Fils

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

Al Kout Industrial Projects Company K.S.C.P. and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)
For the period ended 30 June 2021

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2021	2020	2021	2020
	KD	KD	KD	KD
PROFIT FOR THE PERIOD	1,365,408	410,517	2,694,837	1,362,946
Other comprehensive (loss) income				
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(9,443)	(5,385)	(10,761)	36,907
Net other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	(9,443)	(5,385)	(10,761)	36,907
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Share of other comprehensive income (loss) of an associate	47,019	(40,283)	47,019	(67,139)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	47,019	(40,283)	47,019	(67,139)
Other comprehensive income (loss) for the period	37,576	(45,668)	36,258	(30,232)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,402,984	364,849	2,731,095	1,332,714

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

	30 June 2021 KD	(Audited) 31 December 2020 KD	30 June 2020 KD
ASSETS			
Non-current assets			
Property, plant and equipment	11,987,667	12,526,112	16,889,274
Right-of-use assets	437,242	509,282	568,293
Investment in an associate	3,005,852	3,000,000	6,148,734
Goodwill	4,937,402	4,937,402	4,937,402
	<u>20,368,163</u>	<u>20,972,796</u>	<u>28,543,703</u>
Current assets			
Financial assets at fair value through profit or loss	743,189	983,905	1,003,522
Inventories	4,064,973	3,081,292	3,601,691
Trade receivables and contract assets	8,734,397	10,210,654	7,719,894
Prepayments and other receivables	1,871,563	1,565,029	1,256,766
Cash and bank balances	3,405,772	861,759	651,270
	<u>18,819,894</u>	<u>16,702,639</u>	<u>14,233,143</u>
TOTAL ASSETS	<u><u>39,188,057</u></u>	<u><u>37,675,435</u></u>	<u><u>42,776,846</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	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
Effect of changes in other comprehensive income of an associate	(2,562,823)	(2,609,842)	(2,662,273)
Foreign currency translation reserve	535,117	545,878	582,552
Retained earnings	5,779,085	5,102,264	8,929,645
Total equity	<u>24,176,296</u>	<u>23,463,217</u>	<u>27,274,841</u>
Non-current liabilities			
Employees' end of service benefits	1,953,272	1,876,304	2,395,883
Lease liabilities	234,708	304,208	361,593
	<u>2,187,980</u>	<u>2,180,512</u>	<u>2,757,476</u>
Current liabilities			
Trade payables, contract liabilities and other payables	7,125,555	4,790,736	10,272,122
Lease liabilities	232,162	233,963	225,836
Bank overdrafts	-	1,159,620	2,246,571
Loans and borrowings	5,466,064	5,847,387	-
	<u>12,823,781</u>	<u>12,031,706</u>	<u>12,744,529</u>
Total liabilities	<u>15,011,761</u>	<u>14,212,218</u>	<u>15,502,005</u>
TOTAL EQUITY AND LIABILITIES	<u><u>39,188,057</u></u>	<u><u>37,675,435</u></u>	<u><u>42,776,846</u></u>



Essa Khaled Essa Al-Saleh
Chairman



Faisal Youssef Malallah
Chief Executive Officer

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2021

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Effect of changes in other comprehensive income of an associate KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
As at 1 January 2021	10,090,080	5,186,422	5,148,415	(2,609,842)	545,878	5,102,264	23,463,217
Profit for the period	-	-	-	-	-	2,694,837	2,694,837
Other comprehensive income (loss) for the period	-	-	-	47,019	(10,761)	-	36,258
Total comprehensive income (loss) for the period	-	-	-	47,019	(10,761)	2,694,837	2,731,095
Cash dividends (Note 9)	-	-	-	-	-	(2,018,016)	(2,018,016)
At 30 June 2021	10,090,080	5,186,422	5,148,415	(2,562,823)	535,117	5,779,085	24,176,296
As at 1 January 2020	10,090,080	5,186,422	5,148,415	(2,595,134)	545,645	12,611,739	30,987,167
Profit for the period	-	-	-	-	-	1,362,946	1,362,946
Other comprehensive (loss) income for the period	-	-	-	(67,139)	36,907	-	(30,232)
Total comprehensive (loss) income for the period	-	-	-	(67,139)	36,907	1,362,946	1,332,714
Cash dividends (Note 9)	-	-	-	-	-	(5,045,040)	(5,045,040)
At 30 June 2020	10,090,080	5,186,422	5,148,415	(2,662,273)	582,552	8,929,645	27,274,841

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 30 June 2021

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES		
Profit before tax and directors' remuneration	2,832,493	1,467,378
<i>Adjustments to reconcile profit before tax and directors' remuneration to net cash flows:</i>		
Depreciation of property, plant, and equipment	1,274,627	1,636,869
Depreciation of right-of-use assets	158,329	132,571
Gain on sale of property, plant and equipment	-	(8,400)
(Reversal) charge of allowance for expected credit losses of trade receivables	(45,287)	122,704
Share of results of an associate	41,167	74,947
Changes in fair value of financial assets at fair value through profit or loss	240,716	256,272
Dividend income	-	(36,466)
Provision for employees' end of service benefits	223,423	126,952
Interest on debts and borrowings	75,235	46,999
Interest on lease liabilities	8,222	10,830
	4,808,925	3,830,656
<i>Working capital changes:</i>		
Inventories	(985,457)	(852,230)
Trade receivables and contract assets	1,512,108	(545,069)
Prepayments and other receivables	(306,534)	127,391
Accounts payable and accruals	202,595	(768,815)
Cash flows generated from operations	5,231,637	1,791,933
Employees' end of service benefits paid	(146,455)	(14,612)
Net cash flows from operating activities	5,085,182	1,777,321
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(753,139)	(959,368)
Dividend income received	-	36,466
Proceeds from disposal of property, plant and equipment	-	8,400
Net cash flows used in investing activities	(753,139)	(914,502)
FINANCING ACTIVITIES		
Repayment of borrowings	(381,323)	(1,500,000)
Finance costs paid	(75,235)	(46,999)
Payment of principal portion of lease liabilities	(165,812)	(133,904)
Net cash flows used in financing activities	(622,370)	(1,680,903)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,709,673	(818,084)
Cash and cash equivalents as at 1 January	(297,861)	(761,524)
Net foreign exchange differences	(6,040)	(15,693)
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	3,405,772	(1,595,301)
Non-cash items excluded from the interim condensed consolidated statement of cash flows:		
Additions to lease liabilities	86,289	143,249
Additions to right-of-use assets	(86,289)	(143,249)
	-	-

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Al Kout Industrial Projects Company K.S.C.P. (the “Parent Company”) and its Subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 was authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 10 August 2021.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved in the Annual General Assembly Meeting (AGM) of the shareholders of the Parent Company held on 24 June 2021.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company head office is located in Hamra Tower, 18th Floor, Abdulaziz Al-Sager street, Sharq and its registered postal address is PO Box 10277, Shuaiba 65453, Kuwait.

The principal activities of the Parent Company are, as follows:

- ▶ Import, storage and distribution of cement and other bulk materials; establishing, operating and managing storage silos; acquiring interest in other companies engaged in similar activities and investing surplus funds through portfolio managers in shares of investment and real estate companies.
- ▶ 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 specialised 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 Group may also purchase such entities or affiliate them.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Group has prepared the interim condensed consolidated financial information on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020.

The interim condensed consolidated financial information provide comparative information in respect of the previous period. Certain comparative information has been reclassified and represented to conform to classification in the current period. Such reclassification has been made to improve the quality of information presented.

2.2 New standards, interpretations, and amendments adopted by the Group

The accounting policies adopted and methods of computation followed in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

Al Kout Industrial Projects Company K.S.C.P. and its Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
 (continued)**

2.2 New standards, interpretations, and amendments adopted by the Group (continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of risk component.

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

3.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers based on type of sales and services:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Types of goods or services				
Sale of Chlor Alkai	4,546,070	3,082,605	8,845,753	7,266,221
Sales of industrial materials	2,284,387	2,356,865	4,540,283	5,076,759
Blending of chemicals services	15,256	11,851	36,974	20,326
Construction of chlorine dioxide plant for groundwater reservoirs	771,822	110,924	1,040,437	204,790
Logistic services	350,445	10,990	365,375	63,128
Total revenue from contracts with customers	7,967,980	5,573,235	14,828,822	12,631,224
Geographical markets				
Kuwait	5,821,286	4,303,176	10,355,947	8,813,045
Other MENA	1,554,436	928,968	3,100,204	3,155,168
Asia	106,730	35,630	337,674	67,445
South and North America	120,780	-	163,393	-
Others	364,748	305,461	871,604	595,566
Total revenue from contracts with customers	7,967,980	5,573,235	14,828,822	12,631,224
Timing of revenue recognition				
Goods and services transferred at a point in time	6,944,955	5,276,596	13,587,766	12,093,098
Goods and services transferred over time	1,023,025	296,639	1,241,056	538,126
Total revenue from contracts with customers	7,967,980	5,573,235	14,828,822	12,631,224

Al Kout Industrial Projects Company K.S.C.P. and its Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

3 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

3.2 Contract balances

	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Trade receivables	8,273,278	9,617,069	7,719,894
Contract assets	461,119	593,585	-
Contract liabilities	316,075	-	-

The significant increase in contract liabilities in 2021 was mainly due to the advances received from a sub-contractor during the period relating to a project in progress for which performance obligations are partially satisfied. Management expects that 8% of the transaction price allocated to unsatisfied performance obligations as of 30 June 2021 will be recognised as revenue by the end of the financial year. The amount disclosed above does not include variable consideration which is constrained.

4 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Profit for the period (KD)	1,365,408	410,517	2,694,837	1,362,946
Weighted average number of shares outstanding during the period (shares)	100,900,800	100,900,800	100,900,800	100,900,800
Basic and diluted EPS (Fils)	13.53	4.07	26.71	13.51

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the authorisation date of this interim condensed consolidated financial information.

5 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group has commitments in respect of future capital expenditure amounting to KD 314,763 (31 December 2020: KD 100,217 and 30 June 2020: KD 120,553) relating to ongoing projects under construction.

Contingent liabilities

At 30 June 2021, the Group's bankers had outstanding letter of guarantees and credits amounting to KD 6,910,299 (31 December 2020: KD 5,780,834 and 30 June 2020: KD 5,823,435) for the performance of certain contracts for which it is anticipated that no material liabilities will arise.

Al Kout Industrial Projects Company K.S.C.P. and its Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

6 RELATED PARTY DISCLOSURES

The Group's related parties include its associates and joint ventures, major shareholders, entities under common control, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

There were no transactions other than those with key management personnel, entered into with related parties during the reporting period.

Transactions with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances related to key management personnel were as follows.

	<i>Transaction values for the period ended</i>			
	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	59,609	97,912	123,292	195,059
Employees end of service benefits	4,017	8,137	10,127	16,281
	63,626	106,049	133,419	211,340
			<i>Balance outstanding as at</i>	
			<i>(Audited)</i>	
			<i>30 June</i>	<i>31 December</i>
			<i>2021</i>	<i>2020</i>
			<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits		27,278	31,433	34,896
Employees end of service benefits		19,904	30,881	277,776
		47,182	62,314	312,672

The Board of Directors at the meeting held on 29 April 2021 proposed directors' remuneration of KD 12,000 for the year ended 31 December 2020. The remuneration was approved by the shareholders at the AGM held on 24 June 2021.

7 SEGMENT INFORMATION

For management's purposes, the Group's products and services are organised into the following operating segments. The principle activities and services under these segments are as follows:

- ▶ **Chlor Alkali:** Production and sale of chlor alkali products.
- ▶ **Petrochemical products:** Production and sale of petrochemical products.
- ▶ **Trading:** Distribution of industrial materials.
- ▶ **Logistics and Transport:** Logistic and transportation services provided by the Group.
- ▶ **Industrial projects:** Construction of chlorine dioxide plant for groundwater reservoirs.
- ▶ **Investments:** Group's investments in an associate, fair value through profit or loss and goodwill.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

7 SEGMENT INFORMATION (continued)

a) Segment revenue and results

The following tables present revenue and profit information of the Group's operating segments for the six months ended 30 June 2021 and 2020, respectively:

	<i>Six months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	2021 KD	2020 KD	2021 KD	2020 KD
	<i>Revenue</i>		<i>Results</i>	
Chlor Alkali	9,027,367	7,369,960	4,215,347	3,081,531
Petrochemical products	36,974	20,326	26,278	9,083
Trading	5,016,063	5,637,822	1,210,815	1,382,833
Logistics and transport	1,295,665	1,024,417	18,701	995
Industrial projects	1,040,430	204,790	195,295	29,219
Investments	-	-	(281,883)	(294,753)
Adjustments and eliminations	(1,587,677)	(1,626,091)	(930,290)	(961,289)
Consolidated	14,828,822	12,631,224	4,454,263	3,247,619
Commission income			24,131	21,725
Other income			61,406	63,009
Finance costs			(83,457)	(57,829)
Other unallocated amounts			(1,761,506)	(1,911,578)
Profit for the period			2,694,837	1,362,946

	<i>Six months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	2021 KD	2020 KD	2021 KD	2020 KD
	<i>Purchases of property, plant and equipment</i>		<i>Depreciation of property, plant, and equipment</i>	
Chlor Alkali	741,430	907,413	1,149,489	1,481,340
Trading	11,709	29,186	10,787	24,234
Logistics and transport	-	22,769	114,351	131,295
	753,139	959,368	1,274,627	1,636,869

b) Segment assets and liabilities

The following tables present assets and liabilities information for the Group's operating segments as at 30 June 2021, 31 December 2020 and 30 June 2020, respectively:

	30 June 2021 KD	<i>(Audited)</i>	
		<i>31 December</i> <i>2020</i> KD	<i>30 June</i> <i>2020</i> KD
Segment assets			
Chlor Alkali	30,088,784	29,243,397	29,999,430
Petrochemical products	103,579	31,526	320,452
Trading	4,017,847	3,381,793	4,366,718
Logistics and transport	767,687	842,728	937,990
Industrial projects	461,119	192,086	-
Investments	3,749,041	3,983,905	7,152,256
Total consolidated segment assets	39,188,057	37,675,435	42,776,846

Al Kout Industrial Projects Company K.S.C.P. and its Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

7 SEGMENT INFORMATION (continued)

b) Segment assets and liabilities (continued)

	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment liabilities			
Chlor Alkali	10,444,287	11,896,005	8,150,230
Petrochemical Products	128,610	482,214	492,467
Trading	1,681,072	1,439,062	1,504,800
Logistics and transport	419,339	390,575	305,113
Industrial projects	316,075	-	-
Other unallocated amounts*	2,022,378	4,362	5,049,395
	<hr/>	<hr/>	<hr/>
Total consolidated segment liabilities	15,011,761	14,212,218	15,502,005
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* This mainly represent dividends payable to equity holders of the Parent Company.

c) Geographical segments

The geographical analysis of the Group's revenue from external customers has been based on the location of customers from which revenue is derived:

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Kuwait	11,762,017	10,335,398
Other MENA	3,281,811	3,258,906
Asia	337,674	67,445
South and North America	163,393	-
Others	871,604	595,566
Adjustments and eliminations	(1,587,677)	(1,626,091)
	<hr/>	<hr/>
Total consolidated segment revenue	14,828,822	12,631,224
	<hr/> <hr/>	<hr/> <hr/>

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

8 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Fair value hierarchy

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or 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 level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the interim condensed consolidated financial information at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Listed investment in equity securities

Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Other financial assets and liabilities

Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short-term maturity or re-priced immediately based on market movement in interest rates.

9 DISTRIBUTIONS MADE AND PROPOSED

The Board of Directors in their meeting held on 29 April 2021, proposed a cash dividend of 20% (2019: 50%) of the paid-up share capital (20 fils per share aggregating to KD 2,018,016) for the year ended 31 December 2020 (2019: 50 fils per share aggregating to KD 5,045,040).

The proposed dividend for the year ended 31 December 2020 were approved by the shareholders of the Parent Company at the annual general meeting (AGM) on 24 June 2021 and are recognised as a liability as at 30 June 2021.

Dividends payable as at 30 June 2021 amounted to KD 2,022,378 (31 December 2020: KD 4,362 and 30 June 2020: KD 5,049,395) and recorded within “accounts payable and accruals” in the interim condensed consolidated statement of financial position.

10 IMPACT OF COVID-19 OUTBREAK

The COVID-19 pandemic continues to spread across global geographies causing disruption to business and economic activities and bringing significant uncertainties to the global economic environment. Government authorities worldwide launched extensive responses designed to mitigate the severe consequences of the pandemic.

The effects of COVID-19 pandemic have been significant on the Group’s annual consolidated financial statements for the year ended 31 December 2020. As compared to the year ended 31 December 2020, the Group has not experienced any further significant adverse effect on its operations during the six months ended June 2021. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.

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