

Annual Financial Statement Results Form
Kuwaiti Company (KWD)

نموذج نتائج البيانات المالية السنوية
الشركات الكويتية (د.ك.)

Financial Year Ended on	2018	السنة المالية المنتهية في
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Company Name	Al Kout Industrial Projects Co.	اسم الشركة	شركة الكوت للمشاريع الصناعية
Board of Directors Meeting Date	19 مارس 2019	تاريخ اجتماع مجلس الإدارة	

التغيير (%) Change (%)	السنة المقارنة Comparative Year	السنة الحالية Current Year	البيان Statement
	31 ديسمبر 2017	31 ديسمبر 2018	
1.15	6,219,402	6,291,019	صافي الربح/الخسارة الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
1.15	61.64	62.35	ربحية/خسارة السهم الأساسية والمخفضة (فلس) Basic & Diluted Earnings per Share (fils)
26.37	11,274,579	14,247,540	الموجودات المتداولة Current Assets
9.35	37,797,519	41,330,450	إجمالي الموجودات Total Assets
114.68	3,206,411	6,883,470	المطلوبات المتداولة Current Liabilities
97.43	5,154,529	10,176,476	إجمالي المطلوبات Total Liabilities
(4.56)	32,642,990	31,153,974	إجمالي حقوق الملكية الخاصة بمساهمي الشركة الأم Total Equity attributable to the owners of the Parent Company
34.41	21,872,638	29,399,150	إجمالي الإيرادات التشغيلية Total Operating Revenue
7.54	6,176,347	6,641,965	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)
10.96	1.14 Times	1.27 Times	أرباح (خسائر) مرحلة رأس المال المدفوع Retained Profit (Loss) / Paid-Up Share Capital

التغيير (%) Change (%)	الربع الرابع المقارن Fourth Quarter Comparative Period	الربع الرابع الحالي Fourth Quarter Current Period	البيان Statement
	31 ديسمبر 2017	31 ديسمبر 2018	
90.39	677,471	1,289,868	صافي الربح/الخسارة الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
90.39	6.71	12.78	ربحية/خسارة السهم الأساسية والمخفضة (فلس) Basic & Diluted Earnings per Share (fils)
37.50	5,640,018	7,754,848	إجمالي الإيرادات التشغيلية Total Operating Revenue
165.70	538,299	1,430,280	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)

Increase/Decrease in Net Profit/(Loss) is due to	سبب ارتفاع/انخفاض صافي الربح/الخسارة
Net profit increased by 1% in 2018. Higher chemical trading sales offset higher production costs (increase in electricity prices) among other things.	ارتفاع صافي الربح بنسبة 1% في عام 2018. بسبب زيادة مبيعات المواد الكيميائية الغير مصنعة مما عوض ارتفاع تكاليف الإنتاج (زيادة في أسعار الكهرباء) من بين أمور أخرى.
Total Revenue realized from dealing with related parties (value, KWD)	بلغ إجمالي الإيرادات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)
NIL	لا يوجد
Total Expenditures incurred from dealing with related parties (value, KWD)	بلغ إجمالي المصروفات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)
543,916	543,916

Corporate Actions		استحقاقات الأسهم (الإجراءات المؤسسية)	
النسبة	القيمة		
50%	5,045,040	توزيعات نقدية	Cash Dividend
—	NONE لا يوجد	توزيعات أسهم منحة مجانية	Stock Dividend
—	NONE لا يوجد	توزيعات أخرى	Other Dividend
—	—	عدم توزيع أرباح	No Dividends
		زيادة رأس المال	Capital Increase
		علاوة الإصدار	لا يوجد NONE
		Issue Premium	
		تخفيض رأس المال	Capital Decrease

ختم الشركة Company Seal	التوقيع Signature	المسمى الوظيفي Title	الاسم Name
		رئيس الشئون المالية	محمد أحمد شمس الدين

• Auditor Report Attached

• مرفق تقرير مراقب الحسابات



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C. AND ITS SUBSIDIARIES

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Kout Industrial Projects Company K.P.S.C. (the "Parent Company") and its subsidiaries (together the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also



whether there was evidence of bias that represented a risk of material misstatement due



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C. AND ITS SUBSIDIARIES (CONTINUED)**

Report on the audit of the consolidated financial statements (Continued)

Our audit approach (Continued)

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<ul style="list-style-type: none"> • Impairment testing of investment in an associate <p><i>Refer to note 8 to the consolidated financial statements for the related disclosures.</i></p> <p>The carrying value of investment in an associate amounted to KD 6,981,157 as of 31 December 2018. Management performs an impairment testing at the end of each reporting period to determine whether an impairment exists. The annual impairment testing of investment in an associate is considered to be a key audit matter due to significant judgment and estimates involved in the assessment of the assumptions used to determine the recoverable amount. The recoverable amount has been derived based on value-in-use using the discounted forecasted cash flow model.</p> <p>As disclosed in Note 8 to the consolidated financial statements, there are a number of key sensitive judgments made in determining the inputs into the impairment models which, among other, include:</p> <ul style="list-style-type: none"> • Revenue growth • Pre-tax rate used to discount cash flow projections • Growth rate used to arrive at the terminal value • Weighted average cost of capital (WACC) <p>Management has performed the impairment test. The associate's recoverable amount was determined to be KD 7,194,074 which is above the carrying value</p>	<p>Our audit procedures included carrying out the following among others:</p> <ol style="list-style-type: none"> 1. involving our own internal valuation expert to assist in evaluating the appropriateness of the discount rate and terminal growth rate parameters; 2. evaluating the appropriateness of the assumptions applied to key inputs such as revenue growth rates, operating costs, which included comparing these inputs with externally derived data as well as our own assessment based on our knowledge of the client and industry; 3. We evaluated management's cash flow forecasts and the process by which they were developed including the comparison of forecasted information against historical results and verifying the mathematical accuracy of the underlying calculations. 4. performing our own sensitivity analysis, which, among other, included assessing the effect of reasonably possible reductions in growth rates and forecasted cash flows to evaluate the impact on the currently estimated headroom; and 5. evaluating the adequacy of the disclosures made in the consolidated financial statements, including disclosures of key assumptions, judgments and sensitivities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C. AND ITS SUBSIDIARIES (Continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
<p>Impairment testing of goodwill</p> <p>Refer to note 9 to the consolidated financial statements for the related disclosures.</p> <p>The Group has recognised goodwill in the amount of KD 4,937,402.</p> <p>The majority of goodwill has been allocated to United Materials General Trading Company determined to be a cash-generating unit (CGU).</p> <p>The annual impairment testing of goodwill is considered to be a key audit matter due to significant judgement and estimates involved in the assessment of the assumptions used to estimate the recoverable amount. The recoverable amount of the CGU, which is based on the higher of the value-in-use or fair value less costs to sell, has been derived based on value-in-use using the discounted forecasted cash flow model. This model use several key assumptions, including estimates of future sales volumes, operating costs, terminal value growth rate and the weighted-average cost of capital (discount rate).</p>	<p>Our audit procedures included carrying out the following among others:</p> <ol style="list-style-type: none"> 1. involving our own internal valuation expert to assist in evaluating the appropriateness of the discount rate and terminal growth rate parameters; 2. evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes, operating costs, long-term growth rates based on our knowledge of the client and the industry; 3. We evaluated management's cash flow forecasts and the process by which they were developed including the comparison of forecasted information against historical results and verifying the mathematical accuracy of the underlying calculations. 4. performing our own sensitivity analysis, which, among other, included assessing the effect of reasonably possible reductions in growth rates and forecasted cash flows to evaluate the impact on the currently estimated headroom; and 5. evaluating the adequacy of the disclosures made in the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities.

Other information

Management is responsible for the other information. The other information comprises the report of the Board of Directors, but does not include the consolidated financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report.

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 identified above and, in doing so, consider whether the other information is materially



the consolidated financial statements or our knowledge obtained in the audit or
s to be materially misstated.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C. AND ITS SUBSIDIARIES (Continued)

Report on the audit of the consolidated financial statements (continued)

Other information (continued)

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditors' 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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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.

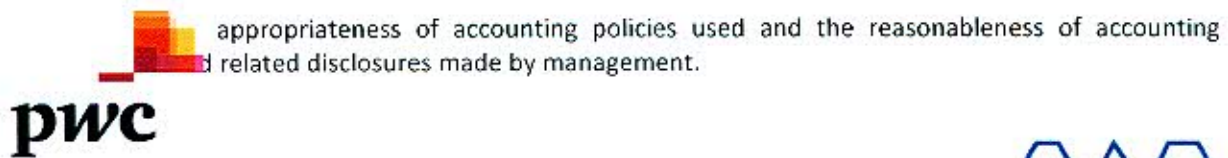
Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C. AND ITS SUBSIDIARIES (Continued)**

Report on the audit of the consolidated financial statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C. AND ITS SUBSIDIARIES (Continued)**

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of accounts 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 all information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law no. 1 of 2016, its executive regulation and by the Parent Company's memorandum and articles of association; 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, its executive regulations, nor of the Parent Company's memorandum and articles of association have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Group or on its consolidated financial position.

Khalid Ebrahim Al-Shatti
Licence No. 175-A
PricewaterhouseCoopers (Al-Shatti & Co.)

Ali Owaid Rukheyes
Public Accountant 72-A
Member of Nexia International (England)


[Date]
Kuwait

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

Consolidated statement of financial position

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Notes	As at 31 December	
		2018	2017
Assets			
Non-current assets			
Property, plant and equipment	6	14,845,751	15,520,718
Intangible asset	7	318,600	-
Investment in an associate	8	6,981,157	9,432,875
Goodwill	9	4,937,402	-
Available-for-sale financial asset		-	1,569,347
		<u>27,082,910</u>	<u>26,522,940</u>
Current assets			
Financial asset at fair value through profit or loss		1,039,661	-
Inventories	10	2,645,916	1,494,505
Trade and other receivables	11	9,634,375	7,171,398
Cash and bank balances	12	927,588	2,608,676
		<u>14,247,540</u>	<u>11,274,579</u>
Total assets		<u>41,330,450</u>	<u>37,797,519</u>
Liabilities and equity			
Liabilities			
Non-current liability			
Borrowings	13	1,000,000	-
Employee benefit obligations	14	2,293,006	1,948,118
		<u>3,293,006</u>	<u>1,948,118</u>
Current liabilities			
Trade and other payables	15	4,881,885	3,075,304
Contract Liabilities	19	693,111	131,107
Borrowings	13	1,308,474	-
		<u>6,883,470</u>	<u>3,206,411</u>
Total liabilities		<u>10,176,476</u>	<u>5,154,529</u>
Net assets		<u>31,153,974</u>	<u>32,642,990</u>
Equity			
Share capital	16	10,090,080	10,090,080
Statutory reserve	17	5,186,422	5,186,422
Voluntary reserve	18	5,148,415	5,148,415
Share of an associate's reserves		(2,636,251)	304,072
Foreign currency translation reserve		550,135	527,064
Fair value reserve		-	(162,097)
Retained earnings		12,815,173	11,549,034
Total equity		<u>31,153,974</u>	<u>32,642,990</u>


Mohamed Ahmed Hussein
Chairman



The notes set out on pages 12 to 47 form an integral part of these consolidated financial statements.

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

Consolidated statement of profit or loss

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Notes	Year ended 31 December	
		2018	2017
Revenue from contracts with customers	19	29,399,150	21,872,638
Cost of sales of goods	20	(18,604,801)	(12,104,573)
Cost of providing services	20	(221,855)	-
Gross profit		10,572,494	9,768,065
Selling and distribution expenses	20	(868,179)	(704,025)
General and administrative expenses	20	(2,911,409)	(1,799,010)
Other income		276,830	181,447
Other (losses) / gains	21	(427,771)	89,153
Impairment of property, plant and equipment	6	-	(1,359,283)
Operating profit		6,641,965	6,176,347
Finance costs		(191,202)	(50,647)
Share of results of an associate	8	228,762	474,894
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration		6,679,525	6,600,594
KFAS		(64,507)	(61,257)
NLST		(170,562)	(169,417)
Zakat		(65,937)	(63,018)
Board of Directors' remuneration		(87,500)	(87,500)
Profit for the year		6,291,019	6,219,402
Earnings per share (Basic and diluted) (fils)	22	62.35	61.64

The notes set out on pages 12 to 47 form an integral part of these consolidated financial statements.

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

Consolidated statement of comprehensive income
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Year ended 31 December	
	2018	2017
Profit for the year	6,291,019	6,219,402
Other comprehensive income		
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss</i>		
Share of other comprehensive income of an associate	147	21,063
Exchange differences on translation of foreign operations	23,071	(74,657)
Changes in fair value of available-for-sale financial asset	-	(196,047)
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss</i>		
Share of other comprehensive income of an associate	66,986	-
Other comprehensive income / (loss) for the year	90,204	(249,641)
Total comprehensive income for the year	6,381,223	5,969,761

The notes set out on pages 12 to 47 form an integral part of these consolidated financial statements.