al kout industrial projects co.

ANNUAL REPORT 2017

Established on December 28, 1993

The authorized share capital and paid up KD 10,090,080 divided into 100,900,800 shares of 100 fils each.

Head Office

Al Hamra Tower, 18th Floor,
Abdul Aziz Saqer Street, Sharq, Kuwait
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Salt and Chlorine Plant

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info@alkoutprojects.com
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GROWING GLOBALLY

His Highness the Amir of Kuwait
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

His Highness the Crown Prince of Kuwait
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

His Highness the Prime Minister of Kuwait
Sheikh Jaber Mubarak Al Hamad Al-Sabah

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MISSION STATEMENT

Al Kout Industrial Projects has now completed its 17 years of activities since acquiring the Salt and Chlorine Plant from Petrochemical Industries Company (PIC). Since its privatization the company has expanded the plant gradually by adding new machinery and equipment increasing its capacity to more than triple its original output. The company has included another chemical product which is used for oil well treatments.

The Company is constantly endeavoring to achieve its strategic objectives which are:

- To be the preferred chlor-alkali supplier in the Middle East covering the MENA region, North Africa and beyond, and to produce other derivatives.
- Operate a state of the art manufacturing facilities with impeccable record on health, safety and environment.
- Professional customer service with emphasis on training and reliability.
- Optimized operations to deliver sustainable returns to our shareholders.
- Equal opportunity employer with no discriminatory practices.
- To promote and support environmentally responsible behavior and fulfill our obligation and responsibilities towards society.

BOARD OF DIRECTORS

Mr. Fahed Yacoub Al Jouan
Chairman

Mr. Mohammad Bader Musaed Al Sayer
Deputy chairman

Mr. Hamad Abdulaziz Al Sager
Board member

Mr. Othman Zahim Al Zahim
Board member

Mss. Musaed Al Abdulla Al Sayer and Partner General Trading Co.
Board member

Mr. Bashar Nasser Al Tawaijiri
Board member

Mr. Nawaf Irhamh Salim Irhamh
Board member

CHAIRMAN'S MESSAGE

Our esteemed Shareholders,

It is my pleasure and privilege to present to You the Annual Report for the fiscal year 2017, where we highlight an other year of continued success and growth in our Company. This success has reflected positively on our financial statements for the year, where the net profit reached a new record KD 6,2 million, equivalent to 62 fils per share compared to 5,8 million or 58 fils per share for 2016 (on diluted bases). Gross profit (excluding investment) for 2017 was KD 9,8 million compared to KD 7,6 million for 2016.

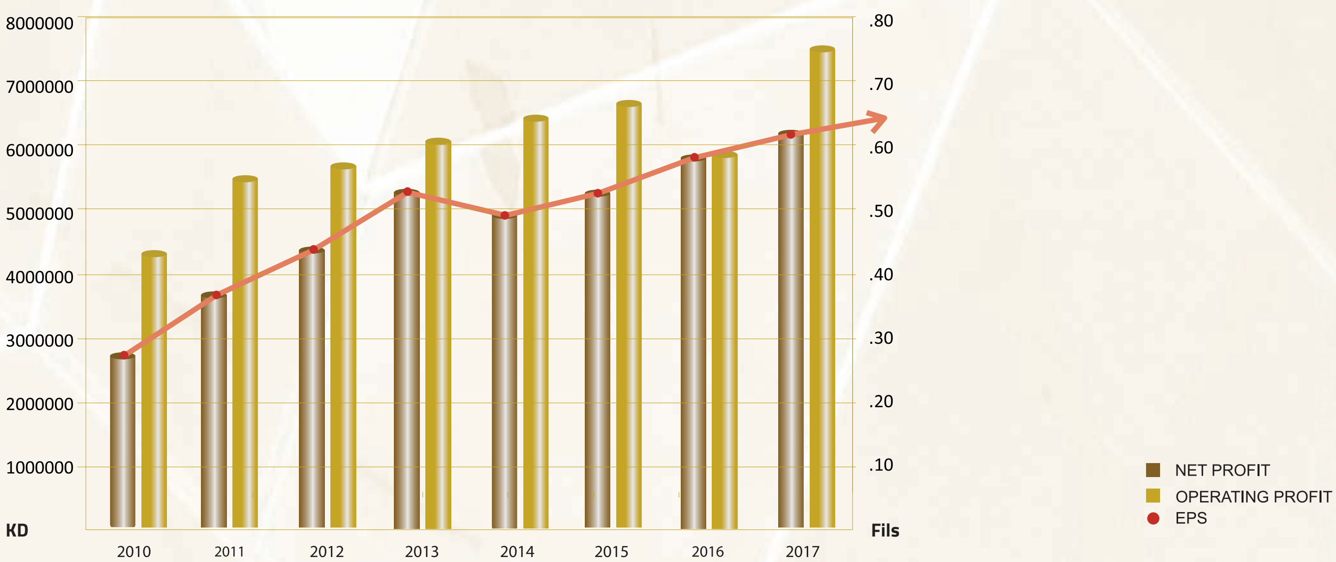
Although 2017 showed signs of improvement in GDP compared to 2016, this was less than anticipated. Anyway our performance was outstanding, biting records in most investments. Unfortunately, the contribution of Safe Water Chemicals, our subsidiary in the United Arab Emirates deteriorated due to the price erosion reflecting the not yet economic out-turns. The momentum is building in key parts of the region. These signs suggest that stronger economic growth could return in the next years; impacting positively and progressively the results of Safe Water Chemicals. To link the current value of the Safe Water Company's Business at the current market value, we did an impairment for KD 1,4 million. The performance of our investment in Al Dorra Oil Services Company where we hold 38 % of the outstanding shares maintained the same level of performance as 2016 but not at the level expected. The core business of its operating subsidiaries performed reasonably well with the exception of its contracting business. In December we signed the Shares Purchase Agreement of United Materials Company, Mawad, a chemical Trading and Service Company, 100% shares for a base purchase price of KD 5,3 million. The company has two subsidiaries, CISCO and SETCO. By this operation we want to diversify our business, to have a better access to the end-users of the chemical products, reinforcing our customer service.

I would like to conclude by thanking our Shareholders for their confidence in our future and the long term growth potential of the region. I would like also to express my gratitude to our customers and business partners for their trust; my appreciation to the Board of Directors for their valuable support and my congratulations to our staff and management for achieving the year's record performance.

Best Regards

Chairman of the Board of Directors
Fahed Yacoub Al Jouan

OPERATING PROFIT, NET PROFIT AND EARNINGS PER SHARE



MANAGEMENT REPORT

Dear Board Members, Shareholders, Partners and Colleagues,

We are proud to highlight our performance in 2017. The operational excellence, the building of a performance based culture are the supports of our business improvement, permitting us to adapt us and answer to the challenges with speed and agility, to be the preferred chlor alkali partner in the Middle East and beyond. The decisions of the Board of Directors in 2017 will support our objectives: acquisition of United Materials Company, Mawad, a chemical trading and services company, the construction of a plant for ferric chloride at Kuwait and the expansion of the chlor alkali plant of Kuwait.

The modification in our organization, creating a supply chain department will reinforce our proximity of our customers, raising our service level and internal efficiency.

The Kuwait based chlor alkali business had a very successful year. The net operating profit increased by 24 % supported by our operational excellence programs.

Safe Water Chemical LLC (SW), our UAE subsidiary saw an improvement in its revenue compared with 2016 but having not yet the impact on the net profit due to the price erosion. To link the current value of the Safe Water Company's Business at the current market value, we did an impairment for KD 1,4 million. New synergies with our Kuwait based chlor alkali will be developed to improve the results.

Al Kout Logistics and Transport Company (ALTC), the transport subsidiary, continues to perform as per our expectation. The Company continued to invest in 2017 to grow, modernize the fleet and facilities both in Kuwait and UAE. The implementation of the supply chain department in Al Kout Industrial Project will optimize the use of the logistic assets and will create new sources of growth for ALTC.

Al Kout Petrochemical Products (APP), the oilfield chemical performed well with a 48% increase in net profit over the previous year. We plan to develop the business with our current partner and by new strategic developments. Professional, Responsible, Dynamic and Collaborative are our core values, supported by the Management. We will continue to decline our Values in the way which we design, develop, produce, deliver our products and services; and interact with our customers, suppliers, stakeholders. We want to be known as a customer focused organization that provides excellent services. The 2017 fiscal year was a success story thanks to the tremendous efforts of our employees across the business. I am proud of the efforts they make every day to provide our customers with exemplary service that goes beyond the expected.

I would like also to thank our customers for their support and feedback, helping us to deliver our promises to you, and our partners and stakeholders. Working together is critical to our continuous success.

I express my gratitude for the support, guidance and confidence of our Board.

Best days are still ahead of us.

Jacq

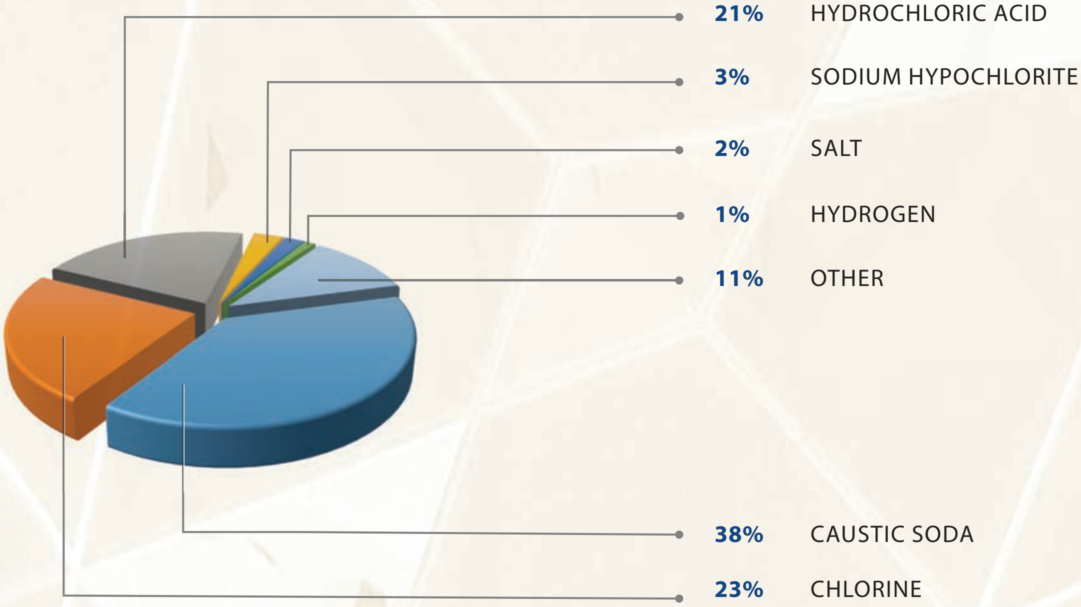
Chief Executive Officer
Marc Jacqmin

SALES AND MARKETING

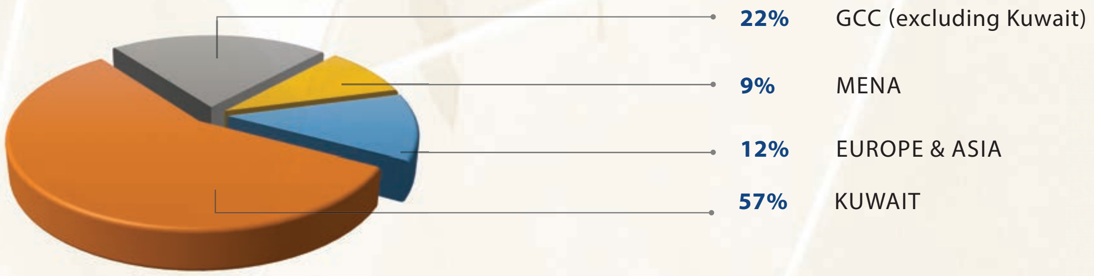
On 2017, export sales were affected by the closure of the border between Saudi Arabia and Qatar, and the cost of road freight increased. The diversification of our markets has helped by redirecting shipments to other destinations and shifting to demand for profitable products, which has overcome this and achieved higher sales than targeted sales.

Last year, Alkout Industrial Projects Company has increased its market share in Europe by competing with other suppliers because of its professional approach and the share of exported products increased by 7% over the previous year and sales of hydrochloric acid increased by 6%.

NET SALES BY PRODUCT-2017



NET SALES BY GEOGRAPHY-2017



MANUFACTURING OPERATIONS

Our Kuwait and our Abu Dhabi plants achieved the highest output level never realized, biting in 2017 by 18 % for the Kuwait plant and 13 % for the Abu Dhabi plant, the performance realized in 2016.

All manufacturing excellence programs, supported by Lean Six Sigma approach, were successful to realize this performance and will permit to continue to progress in 2018.

In 2017, AlKout Industrial Projects and Safe Water upgraded their Integrated Management System certification to ISO 9001 standard new version 2015 and ISO 14001 standard new version 2015 and maintained the certification OHSAS 18001:2007 standard.

In 2017 our products manufactured at AlKout Industrial Projects and Safe Water received the certification NSF/ANSI 60, showing our procedures and the quality of our products respecting all best practices, standards to be used as drinking water treatment chemical

In 2017, Al Kout Petrochemical Products accredited its Integrated Management System certification to ISO 9001:2008, ISO 14001:2004 & OHSAS 18001:2007 Standards.

OUR PRODUCTS

Chlorine (Cl2)

One of our main products, Chlorine gas, is widely used to disinfect water. This is achieved by destroying harmful pathogens or rendering them inert. Disinfection with Chlorine has a dual benefit at the primary and secondary stages.

The primary stage ensures effective treatment at the potable water production stage. The secondary stage ensures effective treatment during storage and distribution through the network. Disinfection containing free Chlorine is the only method suitable for both stages. Many governments and municipalities across the Middle East depend on AIP provide them with this commodity that is essential to delivering safe drinking water to protect public health.

Chlorine is a basic chemical also used in the manufacture of many industrial and consumer products such as solvents, paints and plastics, especially PVC. It is also used to produce bleach, and for the production of bromine.

Sodium Hydroxide (NaOH)

Sodium Hydroxide (Caustic Soda) Lye is one of the most widely used chemicals in the industry. Caustic soda is a solution of Sodium Hydroxide (NaOH) in water. It is a strong base with a wide range of applications in various industries. AIP produces caustic soda as flakes and liquid with a concentration of 32% and 50%.

The major users of caustic soda are chemical and petrochemical industries, oil refineries, oil drilling, aluminium production, pulp and paper mills and soap and detergent manufacturing. Other applications are water treatment and purification. As a strong alkaline solution it is used for Ph correction in various chemical treatments and as cleaning agent.

Hydrochloric Acid (HCl)

Hydrochloric acid is a strong, inorganic acid used in almost all sectors of industry. In the Gulf region, Hydrochloric acid is used both to remove rust, scale and undesirable carbonate deposits in oil wells and to encourage the flow of crude oil or gas to the well.

Other large end uses for hydrochloric acid are steel pickling, food manufacturing, producing calcium chloride, and ore processing. Hydrochloric acid is also used in many other production processes for organic chemicals.

Sodium Hypochlorite (Hypo)

Sodium hypochlorite is a bleaching agent which is used for domestic and industrial purposes. This is an inexpensive, strong oxidizing agent that is used as disinfectant and bleaching agent. Our product is sold in two grades with 6% and 12% hypo concentrations used primarily in water treatment and water cooling systems, to control bacteria formation.

Sodium Chloride (Salt, NaCl)

Our Salt production is ISO 22000:2005 certified for food grade usage. It is used as table salt as well as in other food processing applications.

Salt is the basic raw material for Chlor-alkali products. To supplement our production requirements, we import salt from various countries such as India, Australia & Saudi Arabia.

Hydrogen (H2)

AIP produces hydrogen gas with a high purity of 99.999% and provides it to customers in the GCC in cylinders and hydrogen tube trailers.

OUR OPERATING SUBSIDIARIES

Al Kout Logistics & Transport Company (ALTC)

Established in 2004 and headquartered in Kuwait, Al Kout Logistics & Transport Company is a full fledged logistics provider offering Air Freight, Ocean Freight, Land Freight, Project Cargo and Customs Clearance. It has an operation in Abu Dhabi, UAE to support its Kuwait base. From its hub in the UAE it attends to deliveries across the country and neighbouring Oman. Whereas, Kuwait operation serves clients in Jordan, KSA, Bahrain, Qatar and the United Arab Emirates.

Due to the dangers that could arise from transporting various chemicals, ALTC places great emphasis on training it staff and upgrading its fleet. Employees are regularly trained, drivers are closely monitored, tankers regularly inspected and head units are fitted with Fleet Board Management system (www.fleetboard.com) a state of the art global tracking system manufactured by Daimler Benz. ALTC was honored when chosen as the "Best Fleet Operator" in the Middle East&North Africa (MENA). ALTC was selected by Mercedes Benz from its safety record, maintenance activity, fuel consumption, and efficiency in operation.

ALTC is proud of this award and will strive to continue being a regional leader.

With the continued growth in the business of the other sisters companies, 2018 will be a challenging year. However, Al Kout Logistics & Transport Company will serve its client to its best abilities, while continuing optimizing its operations in full collaboration with the new supply chain department created by Al Kout Industrial Project. It aims to further opportunities, sources of revenues and further growth.

Safewater Chemicals LLC

Safewater Chemicals is a wholly owned subsidiary of Al Kout Industrial Projects Company which was acquired in November 2011. It is strategically situated to supply the UAE and GGC markets by being integrated into the heart of the Abu Dhabi Industrial City located in ICAD 1 in the industrial area of Mussafah. Abu Dhabi, it produces a range of high grade basic chemicals including caustic soda (liquid), hydrochloric acid and sodium hypochlorite.

The Safewater plant which was partially restarted in December of 2011 became fully operational in 2013, and as expected, Safewater had a eightfold increase in capacity since the acquisition and has developed plans for further expansions, de-bottlenecking and upgrades.

With its office building on-site, Safewater is self sufficient and operates independently in terms of its logistics and transportation requirements as its fleet handles deliveries to customers in the UAE and Oman.

Safewater finished six year of operations at an expected level with a revenue increasing by 12 % but still a negative net profit due to the price erosion linked with the increasing competition in UAE. To link the current value of the Safe Water Company's Business at the current market value, we did an impairment for KD 1,4 million.

In Line with the parent and sister companies, Safewater is dedicated to international health, safety and environment standards and ethics. It uses the latest version of the membrane technology in its production process. It also carries a variety of certification, ISO 9001, for quality assurance, ISO 14001 for environment standard, OHSAS 18001 for health and safety, NSF/ANSI 60 .showing our procedures and the quality of our products respecting all best practices, standards to be used as drinking water treatment chemical.

Safewater is conscious and proud of its domicile in Abu Dhabi and strives to generate economic diversification in the country. It is also set on providing career and business opportunities in the UAE.

Al Kout Petrochemical Products (APP)

Al Kout Petrochemical Products has a strategic alliance with Nalco Champion part of Ecolab Company, one of the largest global oilfield production chemical company to manufacture and supply a wide range of oil chemicals. Considering the many oil fields in the Gulf region it is advantageous for Nalco Champion to have a local base. This alliance provides Nalco Champion with a platform for a reliable service to its customer in Kuwait and its neighboring countries.

The products supplied from the blending facilities of APP include scale inhibitors, corrosion inhibitors, biocides, demulsifiers, oxygen scavengers, gas corrosion inhibitors, anti-foam, etc. to meet various requirements in the oil fields.

HEALTH, SAFETY AND ENVIRONMENT MANAGEMENT

Our commitment to Quality, Health, Safety and Environment is unwavering and we continue to strive to maintain the highest standards at our main chlor-alkali facility and also at our subsidiaries. All surveillance and certification audits for international standards like Iso 9001 on Quality Management System, Iso 14001 on Environment Management System, OHSAS 18001 on Occupational Health and Safety Management System, ISO 22000 on the Food Safety Management System for the salt product were passed with success in 2017. We upgraded to the version 2015 for the ISO 9001 and 14001.

In 2017 we received the certification NSF/ANSI 60 for all our products, showing our procedures and the quality of our products respecting all best practices, standards to be used as drinking water treatment chemical.

We promote a health, safety and occupational health culture at work through risk assessment procedures, training and awareness programs, regular job inspections and plant audits, programs like BBS (Behavioral Based Safety) and HSE Points Award Scheme. Reporting and investigation of incidents is promptly done, as this is crucial in incident and accident prevention. Incident investigation to identify the rough cause helps to eliminate recurrence of similar incidents in future. We also promote occupational safety health on our customers premises through site visits, training and awareness programs which we conduct for our customers staff. Our health and safety records indicate that we surpassed one million man hours with no time-loss accidents for our Kuwait plant.

CORPORATE GOVERNANCE, INTERNAL AUDIT COMMITTEE & INTERNAL CONTROL SYSTEM REVIEW REPORTS

Dear Shareholders,

It is our pleasure to present the Corporate Governance Report for the fiscal year ended 31 December 2017, which includes the following:

1. COMPOSITION OF THE BOARD OF DIRECTORS (BOD)

The BOD of Al Kout Industrial Projects (AIP) are as follows:

Name / Designation	Member classification	Date of Election
Fahed Yacoub Al Jouan Chairman	Non-Executive	2 May 2017
Mohammed Bader Al Sayer Deputy Chairman	Non-Executive	2 May 2017
Hamad Abdel Aziz Alsaqer Board Member	Non-Executive	2 May 2017
Othman Zahim Al Zahim Board Member	Independent	2 May 2017
Bader Musaed Al Abdullah Al Sayer & Partner for General Trading [1] Representative of Jibla Holding Co. Board Member	Non-Executive	2 May 2017
Bashar Nasser Al Tuwaijri Representative of Afkar Holding Co. Board Member	Non-Executive	2 May 2017
Nawaf Arhamah Salem Arhamah Representative of Boubyan Petrochemical Co. [2] Board Member	Non-Executive	1 October 2017
Al Kout Logistics Transport Company (ALTC) [3] Substitute Member	Non-Executive	24 October 2017
Ali Abdel Aziz Behbehani	Secretary of the Board	

[1] Mr. Bader Musaed Al Abdullah Al Sayer, representative of Jiblah Holding Company (JHC) resigned on 14-May-2017 for health reasons. JHC decided later to sell its shares and; therefore, no appointment of representative was made.

[2] On 1-October-2017, Boubyan Petrochemical Co. appointed Mr. Nawaf Arhamah Salem Arhamah as a representative on the Board in lieu of Mr. Mohamed Ahmed Shams Al Dain.

[3] ALTC is a substitute member of the BOD and was nominated on 24-October-2017.

2. QUALIFICATIONS AND EXPERIENCE OF AIP'S BOD:

Mr. Fahed Yacoub Al Jouan - Chairman

- Member of the BOD since 2001; assumed the Chairman role since 2006 and is also a Chairman of the Nomination and Remuneration Committee
- Bachelor's degree in Business Administration from University Eastern Washington- USA
- An accounting diploma from the Institute of Commercial of Business Studies
- Vice Chairman of Al Dorra Petroleum Services Company, BOD member of the Financial Center Company, and BOD member of the National Petroleum Services Company (NAPESCO)
- Member of the Kuwait Chamber of Commerce and Industry since 2014

Mr. Mohammed Bader Musaed Al Sayer - Vice Chairman

- Vice Chairman of the BOD since 2015; Member of the Internal Audit & Risk Management Committee;
- Bachelor of Science in Mechanical Engineering and Economics from Polytechnic Rensselaer University – USA
- Worked for the world's leading banks such as Morgan Stanley and JP Morgan Chase. In addition, he worked for National Bank of Kuwait (5years)
- Founder and Chairman of MS Holding and MS Retail since 2004

Mr. Hamad Abdel Aziz Al Saqer- Board Member

- Member of the BOD of AIP Company since 2003
- Bachelor degree in Economics from Ireland
- Member of the BOD of NBK Group (1975-1976; 1983-present) and a member of the Credit and Governance Committees of the BOD of Kuwait National Bank

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Mr. Othman Zahim Al Zahim - Board Member

- Member of the BOD of AIP since 2006, Chairman of the Internal Audit & Risk Management Committee and Member of the Nomination and Remuneration committee;
- Bachelor of Business Administration - Marketing from University of Miami, Fl - USA
- Chairman of Petra Food Industries Company since 2008
- Served as General Manager of Petra Food Company from 1991 to 2012
- Member of the BOD of National Company for Pharmaceutical Industries for 3 years
- Member of the BOD of the Metal Distribution Company

Mr. Bashar Nasser Al Tuwaijri - Board Member

- Member of the BOD of AIP since May 2017
- Bachelor's degree in Finance from the University of Kuwait
- Licensed from the Capital Markets Authority (CMA) since 2015
- Chief of Executive of the Gulf Investment House (GIH) since 2015
- First Vice President of the direct investment in the GIH (2004-2015)
- Portfolio Manager NBK (1996-2003)
- Vice Chairman of the BOD of Amar Finance and Lease Kuwait (2006 to present)
- Vice President of the BOD of Madaen Real Estate Dubai (2006 to present)
- Chairman of Afkar Holding Co. Since 2013.
- Member of the BOD of Arkan Al-Kuwait Real Estate since 2016.

Mr. Nawaf Arhamah Arhamah

- Member of the BOD of AIP since 2017; member of the Audit Committee and Executive Committee
- MBA from Stanford University, Ca - USA
- Bachelor degree in Computer Engineering from Kuwait University
- Chief Financial Officer (CFO) of Boubyan Petrochemicals Company
- Chairman of Afaq for Educational Services
- Vice Chairman and CEO of Iyas for Academic and Technical Education
- Member of the BOD of the Medical Tower Laboratories in Saudi Arabia and Abu Dhabi
- Work experience included serving at Boubyan Capital as Director of Strategy and Direct Investments and Wataniya Investment as Assistant Vice President of Investment Banking

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Mr. Ali Abdulaziz Behbehani - Secretary of the Board

- Joined AIP in 2001 as Finance & Administration Manager and progressed to Vice President for HR & Administrative Affairs. Additionally, serving as the Secretary of the BOD and respective committees
- Bachelor's degree in Accounting from Kuwait University (1971) and was an Assistant Teacher at the University of Kuwait
- Master's degree in Accounting (1974) from the University of Arizona - USA
- Deputy General Manager of the Real Estate Investment Consortium (1975-1980) and General Manager of the Kuwaiti-Bahraini Investment Consortium (1981-1989)
- General Manager of Boubyan Aqua Culture Company (1993-1999)

3. BOARD OF DIRECTORS ATTENDANCE RECORD

The BOD of AIP held five meetings during 2017. The table below shows the number of meetings attended by each member, in addition to Five Board Resolution.

Member Name	Meeting 1 9/1/2017	Meeting 2 26/3/2017	Meeting 3 15/5/2017	Meeting 4 10/8/2017	Meeting 5 14/11/2017
Fahed Yacoub Al Jouan Chairman	✓	✓	✓	✓	✓
Mohammed Bader Al Sayer Deputy Chairman	✓	✓	✓		✓
Hamad Abdelaziz Al Saqer Board Member	✓	✓	✓	✓	
Othman Zahim Al Zahim Board Member	✓	✓	✓	✓	✓
Bashar Naser Al Tuwaijri Board Member	✓	✓	✓	✓	✓
Nawaf Arhamah Salem Arhamah Board Member	✓	✓	✓	✓	✓

4. RECORD AND DISTRIBUTION OF THE BOARD MEETING MINUTES

The Secretary of the Board of Directors prepares and maintains a register of approved minutes for BOD meetings, including the Audit and Risk Management Committees and Nomination and Remuneration Committees. Minutes include the agenda; discussion and action points and record the date, place, time and attendees. The agenda along with all relevant documents are provided to the Board ahead of the meeting. At each meeting, the BOD reviews the previous minutes and action points. The minutes, including any amendments, require approval and signature by all attendees. Resolutions passed by the BOD are minuted and subject to signature approval from all board members. The Secretary of the BOD ensures Board members and other stakeholders are provided with the approved minutes.

5. POLICIES OF THE BOARD OF DIRECTORS

The BOD directly supervise the activities of AIP, and its subsidiaries including review and approval of the Company organizational structure, strategic objectives, application of internal control systems, development of the risk strategy and the standards of governance. The BOD are responsible for directly overseeing the work of Executive Management and work is executed within the plans and objectives set by the Memorandum of Association , including the Company by-laws, regulations and policies.

6. ACHIEVEMENTS OF THE BOARD OF DIRECTORS

The BOD of AIP held five meetings during 2017 plus five resolutions with focus on Corporate Governance. The most important achievements are the appointment of the Internal Audit and Risk Management Committee, the Nominations and Remuneration Committee; and are complementary to the ongoing work of the BOD. The Board approved the appointment of an independent office of Internal Audit; separate appointment of an independent office for review and evaluation of the internal control environment and another independent office appointment to review and measure Company risks. The Board has also made important decisions regarding the Company's investments and developments, including monitoring and evaluating the performance of Executive Management.

7. BOARD OF DIRECTORS COMMITTEES:

(1) Internal Audit and Risk Management Committee

After obtaining approval from the Capital Markets Authority, the Internal Audit Committee and the Risk Management Committee were merged into one committee. The Committee's duties and responsibilities are in line with the Company's risk appetite and periodic reports are prepared on the nature of these risks to which the Company may be exposed. The Committees ensure the integrity of the Company's financial reports, verify the adequacy and effectiveness of the internal control system and review the auditor's observations and agreed management action plans. The Internal Audit and Management committee as follows:

Chairman	Mr. Othman Zahim Al Zahim Board Member of Al Kout Industrial Projects Independent Member
Committee Member	Mr. Mohammad Bader Al Sayer Deputy Chairman of Al Kout Industrial Projects Company Non-Executive
Committee Member	Mr. Nawaf Arhamah Salem Arhamah Board Member of Al Kout Industrial Projects Non-Executive
Secretary	Mr. Ali Abdul Aziz Behbehani Vice President / HR & Administration

The Internal Audit and Risk Management Committee held six meetings during 2017 and summary of key achievements:

- Approved the annual audit plan for 2017
- Recommended to the BOD to appoint the following independent offices:
  - KPMG to review and evaluate the internal control systems
  - RSM Al Bazie to evaluate and report on the risks to which the Company may be exposed
  - Grant Thornton Al-Aiban & Al-Qatami Co to evaluate the internal control and prepare the report for submission to the CMA and the shareholders
- Reviewed the Internal Auditor's Audit Report findings and management action plans
- Reviewed the quarterly and annual Financial Statements
- Prepared the Annual Report of the Internal Control Report and present it to the shareholders at the Annual General Assembly meeting

(2) Nomination and Remuneration Committee

The purpose of the Committee is to prepare a recommendation on nominations for the positions of Directors and Executive Management. In addition, review of policies and regulations governing compensation and remuneration to the Board, including bonus allocation to Executive Management. Also, the Committee evaluates the performance of the Executive Management and coordinates the periodic evaluation process of the Board.

The Board of Directors approved the formation of the Nomination and Remuneration Committee at Meeting No. 2/2016 on 12-April-2016, and defined its mission and responsibilities.

Chairman	Mr. Fahed Yacoub Al Jouan Chairman of Al-Kout Industrial Projects Non-Executive
Committee Member	Mr. Othman Zahim Al-Zahi Board Member of Al Kout Industrial Projects Independent
Committee Member	Bashar Naser Al Tuwaijri Board Member Non-Executive
Secretary of the Committee	Mr. Ali Abdul Aziz Behbehani Vice President – Administration & HR

The Committee held two meeting during 2017 and summary of key achievements:

- Reviewed the Nomination Policy for Board Membership and Executive Management
- Reviewed the policy of rewards and promotions within the Company
- Reviewed the training and development procedures of the Company's employees
- Prepared the annual report with the remuneration for BOD and the Company

8. REPORT ON BONUSES AWARDED AT AL KOUT INDUSTRIAL PROJECTS

The remuneration policy adopted by the BOD reflects the desire to retain competencies within the Board of Directors, the Executive Management and the various departments of the Company as well as being an attraction for talent to join the Company. The Nomination and Remuneration Committee operates under this policy, recommending bonuses to Board members, Executive Management and the staff.

9. DISCLOSURE OF THE GRANTED REMUNERATION

The Nomination and Remuneration Committee shall prepare a detailed report of all the remunerations, benefits and allowances granted to the Chairman of the Board of Directors, the members of the Board of Directors, the members of the Committees as well as the Executive Management and the employees of the Company according to the performance reports submitted by the Company's management. The remuneration report was submitted to the General Assembly and Executive Management during April 2018.

10. UNDERTAKING THE SOUNDNESS AND INTEGRITY OF THE FINANCIAL STATEMENTS

The Executive Management provided written assurance to the Board of Directors of the integrity of the Company's Financial Statement. It covers all financial aspects of operating data and results and is prepared in accordance with the International Accounting Standards. The Board of Directors also provided the Company's shareholders with a guarantee of integrity of the financial statements. The Internal Audit Committee is entitled to review all data, information and reports from the Company's reports and submitted the reports to the BOD.

11. INDEPENDENT AND IMPARTIAL AUDITOR

On 2-May-2017, the Ordinary General Assembly of the Company approved the appointment of the External Auditor, Price Waterhouse Coopers (Al Shatti & Co.) and the External Auditor, Al Waha Audit Office, both of which are registered in the special register with the Capital Market Authority and are fully independent from the Company and its Board of Directors.

12. CODE OF CONDUCT AND ETHICAL VALUES

Integrity comes first in the values of the Company and guides its employees in their day to day activities. The Code of Conduct and ethical values of the Company guides management decisions when serving its customers.

13. DISCLOSURE AND TRANSPARENCY

The Company has committed itself to the required instructions for the disclosure of the essential information and the mechanism for advertising through the Kuwait Stock Exchange website and also to address the Capital Markets Authority. Company information is also maintained on the Company's website. The Company maintains a record of all required disclosures for the Board of Directors and Executive Management.

14. THE DISCIPLINE ON INTERNAL CONTROL REGULATIONS

Al Kout Industrial Projects guarantees a group of the monitoring and discipline rules and regulations that covers all the activities and management of the company. These rules and regulations keep the safety of the financial statements and the safety of the company financial position. The control disciplines include the sound extending of the power, responsibilities, complete separation in functions and lake of conflict of the interests. The office of KPMG has been assigned to perform the works of the internal audit where the office shall provide the regular reports of the internal audit committee. The office of Al Baziea RSM has been authorized also to perform the works of the manager of the Risks managements. In addition the office of Grant Thornton Al Qotamy and Al Ayban was authorized to review the internal control regulations on annual basis where is presents its report to the Capital Market Authority and the company's shareholders.

15. INVESTOR AFFAIRS

The Company is committed to informing current and prospective investors about investment decisions, where information and reports are available. The Company is committed to informing current and potential investors about the investment decisions, as it provides information through conventional means of disclosure.

16. INFORMATION TECHNOLOGY INFRASTRUCTURE

The Company has updated its website and includes all information about the Company and its subsidiaries and associates. It also includes up-to-date key projects, information and financial data.

17. GENERAL RIGHTS OF SHAREHOLDERS

All shareholders of the Company enjoy clear rights in terms of ownership of the shares, transfer of ownership, receipt of profits, annual reports, participation in meetings of the General Assembly of Shareholders and their right to nominate and participate in the election of the Board of Directors. A register of the Company shall be kept with the Kuwait Clearing Company, in which the names of all shareholders and the number of shares they own. Each shareholder has the right to ask about their stock ownership.

18. GENERAL ASSEMBLY MEETING

The Company organizes ordinary and extraordinary meetings of the General Assembly at the times set by the Ministry of Commerce and Industry. The Company is committed to submit its financial statements, the General Assembly's agenda and all requirements to the Ministry of Commerce and Industry, the Capital Markets Authority and the Kuwait Stock Exchange during the three months following the financial year. The Annual General Assembly meeting agenda and information are provided in sufficient time to allow shareholders to participate effectively in the meetings and exercise all rights to vote without prejudice.

19. RIGHTS OF STAKEHOLDERS

The Company provides required information to stakeholders and grants compensation, in case of any violation of their rights.

20. TRAINING PROGRAMS AND COURSES

The Company holds training courses for members of the Board of Directors, Executive Management and Company employees in order to achieve a better level of efficiency in their work.

21. EMPLOYEES VALUES

The company is committed to creating values for employees that reflect the company's reputation by adhering to the highest ethical standards. The company has prepared a manual for employees to demonstrate their rights and duties.

22. SOCIAL RESPONSIBILITY

The Company is committed to the employees through initiatives to improve the conditions of employees and their families. The Company is also committed to responsibility towards society and has participated in environmental activities and participated in exhibits and contributed to some educational and environmental institutions in Kuwait.

Chairman

Fahed Yacoub Al Jouan

الكوت للمشاريع الصناعية ش.م.ك.ع.
al kout industrial projects k.p.s.c.

Dear Shareholders

I am pleased and honored to present to you the report of the Internal Audit Committee for the financial report ended on 31 December 2017 which contains the following:

The Internal Audit and Risk Management Committee which was appointed at the Company's Board of Directors Meeting No. 2/2016 held on 10 April 2016, comprising:

Mohammed Bader Al Sayer	Vice Chairman	Non-Executive Chairman
Othman Zahem Al-Zahem	Member of the Board of Directors	Independent
Mohammed Ahmed Shams El Din	Board Member	Non Executive

And chose Mr. Mohammed Bader Al Sayer by the members to chair the meetings of the Risk Committee and Mr. Mohammed Ahmed Shams Al Din to chair the meetings of the Internal Audit Committee. In October 2017, Mr. Nawaf Arhameh Salem Arhameh joined the Board of Directors as a representative of Boubyan Petrochemical Company, replacing Mr. Mohammed Ahmed Shams El Din. Mr. Nawaf Arhameh became a member of the Internal Audit and Risk Management Committee and the formation of the committee was as follows:

Mr. Othman Zahem Al-Zahem - Chairman of the Internal - Audit and Risk Management Committee
Mr. Mohammed Bader Al Sayer - Member of the Internal - Audit and Risk Management Committee
Mr. Nawaf Arhamah Salem Arhameh - Member of Internal - Audit and Risk Management Committee
Mr. Ali Abdulaziz Behbehani - Secretary of the Committee

During the year 2017, the Committee conducted six meetings to discuss the reports of the Internal Audit Manager KPMG and to follow up these reports with the Company's Executive Management and implement the recommendations of the Internal Audit Manager as well as the recommendations of the Risk Manager of RSM.

In addition, the Committee reviewed the reports of the External Auditor, Pricewaterhouse Coopers Al Shatti & Co., on the quarterly financial statements, as well as the reports of the Director of Internal Audit, Grand Thornton Al Qatami and Al-Aiban for the financial year ended 31 December 2017 and also the review of the financial statements ended 31 December 2017 Shatti Coopers & Co.

The Committee and the Board of Directors are committed to making written commitments to the validity and integrity of the financial statements relating to the Company's activities which are prepared in accordance with internationally accepted accounting standards.

The Committee believes that the internal and external auditors' work indicates that the Company has good internal control systems and that the management of the Company follows and implements the laws and regulations issued by the supervisory authorities in the State of Kuwait.

Othman Zahem Al Zahem
Chairman of the Internal Audit and Risk Management Committee
Member of the Independent Board of Directors

al kout industrial projects k.p.s.c.
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Independent Auditor's Report

On the review and evaluation of Internal Control Systems of the company

M/s. Board of Directors
Al Kout Industrial Projects Company K.P.S.C.
Kuwait

In accordance with the terms of our engagement, we have examined and evaluated the internal control systems at your company which were applied during the year ended 31 December 2017 with regard to all the following major business and operational activities of your company:

- Finance & Information Technology Department.
- Operations, Maintenance & Projects Department.
- Engineering & Maintenance Section.
- Materials Section
- Information Technology Section.
- Administration & HR Department.
- Sales & Marketing Department.
- Production Section.
- Inspection & Corrosion, HSE, and Quality Control Sections
- Projects Management Section

The examination was conducted in accordance with the guidelines published by the Kuwait Capital Markets Authority, Fifth Rule: Implementation of Sound Systems of Risk Management and Internal Control, of Sixth Part of Chapter Fifteen "Corporate Governances" of the Executive Regulations issued under decision number 72 for year 2015 of the law number 7 for year 2013.

As members of the Board of Directors of Al Kout Industrial Projects Company (KPSC), you are responsible for establishing and maintaining adequate internal control systems. In fulfilling that responsibility, estimates and judgments must be made to assess the expected benefits and related costs of such control elements. The objective is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, risks are evaluated and monitored, that transactions are executed in accordance with established authorization procedures and are recorded properly, and to enable you to conduct the business in a prudent and efficient manner.

Because of inherent limitations in any internal control system, errors or irregularities may nevertheless occur and not be detected. Also projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

In our opinion, having regard to the nature and scale of the company's business during the year ended 31 December 2017, the internal control systems examined by us were established and maintained in accordance with the requirements of corporate governance published by Kuwait Capital Markets Authority within the Executive Regulations issued under decision number 72 for year 2015 of the law number 7 for year 2013.

Yours Faithfully,

Abdullatif M. Al-Aiban (CPA)
(License No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners
Kuwait

25 March 2018

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

CONTENTS

PricewaterhouseCoopers
Al-Shatti&Co.

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Since 1988

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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 audit of the consolidated financial statements

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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 2017, 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 2017;
- the consolidated statement of income 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 Qualified Opinion

As disclosed in note 6, the Group's investment in Al Dorra Petroleum Services Company K.S.C. (Closed), an associate accounted for by the equity method ('the Associate'), is carried at KD 9,432,875 on the consolidated statement of financial position as at 31 December 2017, and the Group's share of the Associate's net income of KD 474,894 is included in the Group's consolidated statement of income for the year then ended. We were not provided with audited financial statements of the Associate for the year ended 31 December 2017, therefore, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in the Associate including the recorded amount of the impairment loss as at 31 December 2017 and the Group's share of the Associate's net income for the year then ended. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 qualified 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.

pwc

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

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 addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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. In addition to the matter described in the Basis for qualified opinion section above, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the Key audit matter
Impairment of property, plant and equipment The Group has property, plant and equipment with aggregate carrying amount of KD 15,520,718 as at 31 December 2017 representing 41% of the total consolidated assets of the Group. The Group reviews for impairment the carrying amount of its property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management performed the valuation of the property, plant and equipment through a discounted cash flow method and concluded that its carrying amount at the year-end exceeded its value in use as at that date and accordingly a provision for impairment of KD 1,359,283 was recognized during the year. This area was important to our audit because of the magnitude of property, plant and equipment and the significant judgments and estimates involved in determining the recoverable amount. Refer to note 5 to the consolidated financial statements for the related disclosure.	**Our audit procedures included carrying out the following among others:** We involved our own valuation specialist to assist in evaluating the suitability of the methodology and model used. We evaluated management's cash flow forecasts and the process by which they were developed including verifying the mathematical accuracy of the underlying calculations. We also challenged management's key assumptions, including production capacity and revenue growth rate. In addition, we performed our independent sensitivity analysis.

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

Report on audit of the consolidated financial statements (continued)

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, and the Parent Company's complete Annual Report, which is expected to be made available to us after that date. Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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. As described in the Basis of Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the Group's investment in the Associate including the recorded amount of the impairment loss as at 31 December 2017 and the Group's share of the Associate's net income for the year then ended. Therefore, we are unable to conclude that the other information is not materially misstated with respect to this matter.

When we read the Parent Company's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 (Contined)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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. As described in the Basis for Qualified Opinion above, we were not provided with audited financial statements of the Associate for the year ended 31 December 2017. Except for this matter, we 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 2017 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)

28 March 2018
Kuwait

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

Consolidated statement of financial position

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Notes	As at 31 December 2017	2016
Assets			
Non-current assets			
Property, plant and equipment	5	15,520,718	17,469,807
Investment in an associate	6	9,432,875	8,936,918
Available-for-sale financial asset	7	1,569,347	1,765,394
		26,522,940	28,172,119
Current assets			
Inventories	8	1,494,505	1,672,649
Trade and other receivables	9	7,003,206	6,796,943
Cash and cash equivalents	10	2,608,676	775,279
		11,106,387	9,244,871
Total assets		37,629,327	37,416,990
Liabilities and equity			
Liabilities			
Non-current liability			
Post-employment benefits	11	1,948,118	1,772,051
Current liabilities			
Trade and other payables	12	3,038,219	2,926,670
Short term loan		-	1,000,000
		3,038,219	3,926,670
Total liabilities		4,986,337	5,698,721
Equity			
Share capital	13	10,090,080	10,090,080
Statutory reserve	14	5,186,422	5,186,422
Voluntary reserve	15	5,148,415	5,148,415
Share of an associate's reserves		304,072	283,009
Foreign currency translation reserve		527,064	601,721
Fair value reserve		(162,097)	33,950
Retained earnings		11,549,034	10,374,672
Total equity		32,642,990	31,718,269
Total liabilities and equity		37,629,327	37,416,990

Chairman

Fahed Y. Al-Jouan

The notes set out on pages 41 to 63 form an integral part of these consolidated financial statements.

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

Consolidated statement of income

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Notes	2017	2016
		Year ended 31 December	
Revenue		21,872,638	17,131,383
Cost of sales of goods	16	(12,104,573)	(9,538,336)
Gross profit		9,768,065	7,593,047
Selling and distribution expenses	16	(704,025)	(695,183)
General and administrative expenses	16	(1,799,010)	(1,542,476)
Other income		181,447	370,012
Impairment charge	5	(1,359,283)	-
Operating profit		6,087,194	5,725,400
Finance costs		(50,647)	(18,552)
Foreign exchange gain		89,153	165,417
Share of results of an associate	6	474,894	316,967
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration		6,600,594	6,189,232
KFAS		(61,257)	(58,723)
NLST		(169,417)	(158,348)
Zakat		(63,018)	(60,170)
Board of Directors' remuneration		(87,500)	(73,600)
Profit for the year		6,219,402	5,838,391
Earnings per share (Basic and diluted) (fils)	17	61.64	57.86

The notes set out on pages 41 to 63 form an integral part of these consolidated financial statements.

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

Consolidated statement of comprehensive income

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Year ended 31 December	
	2017	2016
Profit for the year	6,219,402	5,838,391
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of income		
Share of associate's reserves	21,063	(546)
Foreign exchange translation adjustments	(74,657)	69,653
Change in fair value of available-for-sale financial asset	(196,047)	33,950
Other comprehensive (loss) / income for the year	(249,641)	103,057
Total comprehensive income for the year	5,969,761	5,941,448

The notes set out on pages 41 to 63 form an integral part of these consolidated financial statements.

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

Consolidated statement of changes in equity

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Share capital	Statutory reserve	Voluntary reserve	Share of an associate's reserves	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 year	-	-	-	-	-	-	5,838,391	5,838,391
Other comprehensive income for the year	-	-	-	(546)	69,653	33,950	-	103,057
Total comprehensive income for the year	-	-	-	(546)	69,653	33,950	5,838,391	5,941,448
Issue of bonus shares (note 19)	388,080	-	-	-	-	-	(388,080)	-
Dividends paid during the year (note 19)	-	-	-	-	-	-	(3,880,800)	(3,880,800)
Balance at 31 December 2016	10,090,080	5,186,422	5,148,415	283,009	601,721	33,950	10,374,672	31,718,269
Profit for the year	-	-	-	-	-	-	6,219,402	6,219,402
Other comprehensive loss for the year	-	-	-	21,063	(74,657)	(196,047)	-	(249,641)
Total comprehensive income for the year	-	-	-	**21,063**	**(74,657)**	**(196,047)**	**6,219,402**	**5,969,761**
Dividends paid during the year (note 19)	-	-	-	-	-	-	**(5,045,040)**	**(5,045,040)**
Balance at 31 December 2017	**10,090,080**	**5,186,422**	**5,148,415**	**304,072**	**527,064**	**(162,097)**	**11,549,034**	**32,642,990**

The notes set out on pages 41 to 63 form an integral part of these consolidated financial statements.

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

Consolidated statement of cash flows

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Notes	2017	2016
		Year ended 31 December	
Cash flows from operating activities			
Profit before KFAS, NLST, Zakat and Board of Directors' remuneration		6,600,594	6,189,232
Adjustments for:			
Depreciation	5	3,211,301	3,143,502
Loss on sale of property, plant and equipment		-	20
Impairment charge	5	1,359,283	-
Share of results of an associate	6	(474,894)	(316,967)
Post-employment benefits	11	258,407	262,843
Finance costs		50,647	18,552
		11,005,338	9,297,182
Changes in working capital:			
Inventories		178,144	(41,808)
Trade and other receivables		(206,263)	(1,101,970)
Trade and other payables		71,199	233,907
Cash generated from operations		11,048,418	8,387,311
KFAS, NLST and Zakat paid during the year		(277,242)	(330,531)
Board of directors' remuneration paid during the year		(63,600)	(70,000)
Post-employment benefits paid during the year	11	(82,340)	(118,124)
Net cash generated from operating activities		10,625,236	7,868,656
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(2,703,476)	(3,862,734)
Proceeds from disposal of property, plant and equipment		-	21,119
Purchase of available-for-sale financial asset		-	(1,731,444)
Time deposit		-	500,000
Net cash flows used in investing activities		(2,703,476)	(5,073,059)
Cash flows from financing activities			
(Payment) / Proceeds from short term loan		(1,000,000)	1,000,000
Finance costs paid during the year		(50,647)	(18,552)
Dividends paid during the year		(5,045,040)	(3,880,800)
Net cash used in financing activities		(6,095,687)	(2,899,352)
Effect of foreign currency translation		7,324	12,588
Net increase / (decrease) in cash and cash equivalents		1,833,397	(91,167)
Cash and cash equivalents at beginning of year		775,279	866,446
Cash and cash equivalents at end of year	10	2,608,676	775,279

The notes set out on pages 41 to 63 form an integral part of these consolidated financial statements.

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

Consolidated statement of financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

1 GENERAL INFORMATION

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

The objectives for which the Parent Company and its subsidiaries (together referred to as "the Group") was incorporated 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 group had 326 employees as at 31 December 2017 (2016: 337 employees).

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

These consolidated financial statements of the Group for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 25 March 2018 and are subject to the approval of the Annual General Assembly of the Parent Company's shareholders. The Annual General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Parent Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis except for the measurement at fair value of available for sale financial assets.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group:

The group has adopted all standards, amendments and improvements which came effective for the first time for the financial period beginning on or after 1 January 2017 and none resulted in a significant impact on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(b) New standards and interpretations issued but not yet adopted by the Group:

'IFRS 9 - Financial instruments'

IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The group's loans and receivables currently measured at amortised cost where the objective of the group's business model for realizing these assets is for collecting contractual cash flows which meet the conditions for classification at amortised cost under IFRS 9. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the group does not expect any significant impact on allowance for trade receivables.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The new standard must be applied for financial years commencing on or after 1 January 2018.

IFRS 15 – Revenue from contracts with customers'

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the Group's consolidated financial statements and has identified that there will be no significant impact on revenue for the year if the standard is adopted.

'IFRS 16 – Leases'

'IFRS 16, Leases' will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the consolidated statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The consolidated statement of income will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted only if IFRS 15 is adopted at the same time. The Group is yet to assess the impact of IFRS 16.

2.2 Principles of consolidation and equity accounting

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

The acquisition method of accounting is used to account for business combinations by the Group.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the Group
- Fair value of any asset or liability resulting from a contingent consideration arrangement, and
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the following items over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized directly in comprehensive income as a bargain purchase:

- Consideration transferred,
- Amount of any non-controlling interest in the acquired entity, and
- Acquisition-date fair value of any previous equity interest in the acquired entity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognized in the consolidated statement of income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in the consolidated statement of income.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of income, comprehensive income, changes in equity and financial position respectively.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(b) Subsidiaries (Continued)

The subsidiaries of the Parent Company, all of which have been included in these consolidated financial statements, are as follows:

Name of subsidiary	Ownership interest % Country of incorporation		Country of incorporation	Principle activities
	2017	2016		
* Al Kout Logistics and Transport Company W.L.L.	99.5 %	99.5 %	Kuwait	Transportation services
* Al Kout Petrochemical Products Company W.L.L.	80 %	80 %	Kuwait	Blending of chemical products
* Al Kout Industrial Projects Holding Company L.L.C.	100 %	100 %	Bahrain	Investment activities
* Safewater Chemicals L.L.C.	99 %	99 %	United Arab Emirates	Manufacture of Chlor Alkali products

* The remaining ownership interest in the above subsidiaries are held within the Group.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see below) after initially being recognized at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of income, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.6.

(d) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Parent Company.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currencies translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the Group's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of income within 'finance costs'. All other foreign exchange gains and losses are presented in the consolidated statement of income within other income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;
- Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Cost of an item of property, plant and equipment includes its purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing asset at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	years 5-20
Plant and machinery	years 5-10
Electrolyser and ED membrane	years 4-10
Office Furniture and equipment	years 1-3
Motor Vehicles	years 5-10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of income.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Inventories

Raw materials, spare parts and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated statement of income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets in the following categories:

- Available for sale financial asset, and
- Loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Available-for-sale financial asset

Available-for-sale financial asset consists of equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "term deposits" and "cash and cash equivalents".

(i) Trade and other receivables

Trade receivable are amounts due from customers within the ordinary course of business. If collection is expected to be within one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

(ii) Term deposit

Term deposit comprise of bank balance account held with a local financial institution with a maturity of more than three months from the date of purchase.

(ii) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash on hand, deposits with original maturity less than three months, call accounts held with financial institutions net of bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within current liabilities.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to statement of income as gains and losses from investment securities.

2.7.3 Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of income.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial asset and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- For 'financial assets at fair value through profit or loss' – in the consolidated statement of income within other income or other expenses
- For available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in the consolidated statement of income as part of revenue from continuing operations when the group's right to receive payments is established.

2.7.3 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(a) Assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income.

(b) Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in consolidated statement of income.

Impairment losses on equity instruments that were recognised in consolidated statement of income are not reversed through the consolidated statement of income in a subsequent period.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Post-employment benefits

The Group is liable under Kuwaiti Labour Law to make payments to the employees for post-employment benefits through a defined benefits plan. Such payment is made on a lump sum basis at the end of an employee's service. This liability is unfunded and has been computed as the amount payable as a result of involuntary termination of the Group's employees on the reporting date. The Group expects this method to produce a reliable approximation of the present value of this obligation.

With respect to its national employees, the Group makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries.

2.9 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The Group classifies its financial liabilities as "trade and other payables" and "borrowings".

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

(a) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

(c) Borrowings

Borrowings include term loan. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the notes using the effective interest method. Borrowings are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Fees paid on the establishment of facilities are recognised as transaction costs of the facilities to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facilities to which it relates.

2.10 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for good supplies, stated net of discounts for the sale of services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The group manufactures and sells a range of petrochemical products in the local and global market. Sales are recognized when products are shipped, the risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from sales is based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term determined in a monetary value specified by the management or covered by a letter of commitment, which is consistent with market practice.

Revenue from service activities is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract. Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2.13 Leases

Where the Parent Company is the lessee- operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

2.14 Finance costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other finance costs are recognised in the consolidated statement of income in the period in which they are incurred.

2.15 Dividend distribution

Dividend distribution to the parent company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the parent company's shareholders.

2.16 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Parent Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares if any, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares if any.

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3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's finance department as approved by the Group's Board of Directors.

(a) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US dollar and AED. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities. Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group manages its foreign currency risk by regularly assessing current and expected foreign currency rate movements and the Group's foreign currency exposure.

The Group had the following significant net exposures denominated in foreign currencies:

	As at 31 December	
	2017	2016
US dollar	2,624,563	981,768
AED	31,416	12,550

The table below indicates the Group's foreign exchange exposure as at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the US Dollar and AED with all other variables held constant, on the profit for the year.

	Change in currency rate	Effect on profit and equity
At 31 December 2017		
US dollar	%+5	**131,228**
AED	%+5	**1,571**
		132,799
At 31 December 2016		
US dollar	%+5	49,088
AED	%+5	628
		49,716

The decrease in currency rate will have the opposite effect on profit for the year and equity.

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3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Instruments issued at variable rates expose the Group to cash flow interest rates, while instruments issued at fixed rates expose the Group to fair value interest rate risk. Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of income of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The company is not significantly exposed to interest rate risk since it does not carry significant floating rate interest bearing assets or liabilities.

The Group does not have any off balance sheet financial instruments or derivatives which are used to manage the interest rate risk.

(iii) Price risk

The group's exposure to equity securities price risk arises from investments held by the group and classified in the consolidated statement of financial position as available-for-sale financial asset.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The effect on profit for the year and equity (as a result of a change in the fair value of equity investments classified as available for sale financial assets) at the year-end due to an assumed 5% change in equity indices or share prices, with all other variables held constant, is not significant.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises principally from trade and other receivables, time deposit and cash and cash equivalents. The Group seeks to limit its credit risk with respect to bank balances by dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

Normal credit terms for customers range up to three months. Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the payment and delivery terms and conditions are offered. Credit exposure is controlled by counter party limits that are reviewed and approved by the management. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum net exposure to credit risk by class of assets at the reporting date is as follows:

	As at 31 December	
	2017	2016
Loans and receivables		
Trade and other receivables	6,438,794	6,312,191
Cash and cash equivalents	2,596,281	764,714
	9,035,075	7,076,905

(ii) Concentration of credit risk

Concentrations arise when a number of counterparties is engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

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3 FINANCIAL RISK MANAGEMENT
3.1 Financial risk factors (continued)
(b) Credit risk (continued)
(ii) Concentration of credit risk (continued)

The Group's credit risk bearing assets can be analyzed by the geographic region and the industry sector as follows:

	As at 31 December	
	2017	2016
Geographic region:		
Kuwait and Middle East	8,612,189	7,001,298
Europe and Africa	422,886	75,607
	9,035,075	7,076,905

	As at 31 December	
Industry sector:	2017	2016
Trading and individual	6,438,794	6,312,191
Banks and other financial institutions	2,596,281	764,714
	9,035,075	7,076,905

(iii) Credit quality of financial instruments

It is not the practice of the Group to obtain collateral over loans and receivables.

Credit exposures classified as 'rated' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low.

These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good. Credit exposures defined as "not rated" and classified under 'standard' quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not 'impaired'. The ultimate risk of possible financial loss on "not rated" or" standard' quality is assessed to be higher than that for the exposures classified within the 'rated' quality range.

The table below shows the credit risk exposure by credit quality of financial assets by class, grade and status. Not rated assets are classified according to internal credit ratings of the counterparties. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	Neither past due nor impaired		
	Rated	Not rated	Total
At 31 December 2017			
Trade and other receivable	-	6,438,794	6,438,794
Cash and cash equivalents	2,596,281	-	2,596,281
Total	2,596,281	6,438,794	9,035,075

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3 FINANCIAL RISK MANAGEMENT(continued)
3.1 Financial risk factors (continued)

	Neither past due nor impaired		
	Rated	Not rated	Total
At 31 December 2016			
Trade and other receivable	-	3,610,557	3,610,557
Cash and cash equivalents	764,714	-	764,714
Total	764,714	3,610,557	4,375,271

Analysis by credit quality of financial assets is as follows:

	As at 31 December	
	2017	2016
Trade and other receivables (gross)		
Neither past due nor impaired:		
- Trade and other receivables from customers	3,127,756	3,610,557
Past due but not impaired		
- 0 to 30 days overdue	939,559	496,918
- More than 30 days overdue	2,371,479	2,204,716
Total past due but not impaired	3,311,038	2,701,634
Total trade and other receivables	6,438,794	6,312,191
Cash and cash equivalents neither past due nor impaired	2,596,281	764,714

Most of the receivables that are past due but not impaired are receivables due from governmental entities and no doubt regarding the collection of these amounts.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain the support from the shareholders and related parties.

A summary table with maturity of liabilities presented below is used by Group's management to manage liquidity risks and is derived from managerial reports at Group level. The amounts disclosed in the below tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months are not significantly different than their carrying amounts in the consolidated statement of financial position.

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3 FINANCIAL RISK MANAGEMENT
3.1 Financial risk factors (continued)
(c) Liquidity risk(continued)

At 31 December 2017	Within 3 months	3 to 6 Months	Above 6 Months	Total
Liabilities				
Accounts payable and other liabilities	1,676,074	1,362,145	-	3,038,219
Total liabilities	1,676,074	1,362,145	-	3,038,219
Contingencies (note 20)	676,402	286,306	2,011,768	2,974,476

At 31 December 2016	Within 3 months	3 to 6 Months	Above 6 Months	Total
Liabilities				
Accounts payable and other liabilities	1,684,699	813,926	428,045	2,926,670
Short term loan	1,000,000	-	-	1,000,000
Total liabilities	2,684,699	813,926	428,045	3,926,670
Contingencies (note 20)	1,806,404	622,903	2,036,483	4,465,790

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions paid to shareholders, increase capital or sell assets to reduce debt.

Consistent with others in the industry, the shareholders monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by the Group as borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

As at 31 December 2017 the Group has no significant outstanding borrowings (2016: Nil).

3.3 Fair value estimate

The table below analyses assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).
- The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2017	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Available for sale financial assets:				
Investment in quoted equity shares	1,569,347	-	-	1,569,347
Total	1,569,347	-	-	1,569,347

2016	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Available for sale financial assets:				
Investment in quoted equity shares	1,765,394	-	-	1,765,394

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Group's accounting policies, which are described in note 2, the Group's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in consolidated financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives and impairment of property, plant and equipment

The Group determines the estimated useful lives and residual values of property, plant and equipment. Management reviews the residual value over their estimated useful lives. The Group uses the straight line method to compute depreciation, to reduce the cost of assets to their estimated residual values over their expected useful lives. The useful lives of property, plant and equipment carried by the group are estimated to be between 1 and 10 years.

At the reporting date, the Group's management assesses, whether there is any indication that property, plant and equipment may be impaired. The recoverable amount of an asset is determined based on the "value-in-use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

(b) Impairment of investment in an associate

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on the Group's investment in its associated companies at each reporting date based on the existence of any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of additional impairment as the difference between the recoverable amount of the investment in the associate and its carrying value and recognizes the amount in the consolidated statement of income for the year. At the reporting date, the Group has not taken an impairment provision against its investment in an associate (2016: Nil).

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5 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Electrolyser and ED membrane	Office furniture and equipment	Motor vehicles	Capital work in progress	Total
At 1 January 2016							
Cost	8,776,033	24,026,083	6,398,757	826,699	4,040,938	2,346,561	46,415,071
Foreign exchange differences related to cost	62,285	155,553	-	1,817	17,588	9,595	246,838
Accumulated depreciation	(6,049,975)	(15,973,574)	(4,929,784)	(748,886)	(2,145,342)	-	(29,847,561)
Foreign exchange differences related to accumulated depreciation	(24,587)	(67,176)	-	(988)	(6,948)	-	(99,699)
Net book amount	**2,763,756**	**8,140,886**	**1,468,973**	**78,642**	**1,906,236**	**2,356,156**	**16,714,649**
Year ended 31 December 2016							
Opening net book amount	2,763,756	8,140,886	1,468,973	78,642	1,906,236	2,356,156	16,714,649
Additions	15,857	123,436	287,367	13,452	317,664	3,104,958	3,862,734
Disposal	-	(80,481)	(3,802,931)	-	(31,855)	-	(3,915,267)
Transfers	1,237,211	2,708,881	-	-	-	(3,946,092)	-
Foreign exchange difference	10,395	22,479	-	(27)	3,605	20,613	57,065
Depreciation charge for the year	(502,469)	(1,690,313)	(431,441)	(61,541)	(457,738)	-	(3,143,502)
Relating to disposals	-	80,481	3,802,930	-	10,717	-	3,894,128
Closing net book amount	**3,524,750**	**9,305,369**	**1,324,898**	**30,526**	**1,748,629**	**1,535,635**	**17,469,807**
At 31 December 2016							
Cost	10,091,386	26,933,472	2,883,193	841,968	4,344,335	1,515,022	46,609,376
Foreign exchange differences related to cost	21,879	51,221	-	516	8,928	20,613	103,157
Accumulated depreciation	(6,577,031)	(17,650,582)	(1,558,295)	(811,415)	(2,599,311)	-	(29,196,634)
Foreign exchange differences related to accumulated depreciation	(11,484)	(28,742)	-	(543)	(5,323)	-	(46,092)
Net book amount	**3,524,750**	**9,305,369**	**1,324,898**	**30,526**	**1,748,629**	**1,535,635**	**17,469,807**

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5 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Plant and machinery	Electrolyser and ED membrane	Office furniture and equipment	Motor vehicles	Capital work in progress	Total
Year ended 31 December 2017							
Opening net book amount	3,524,750	9,305,369	1,324,898	30,526	1,748,629	1,535,635	17,469,807
Additions	3,485	84,438	63,474	31,389	156,586	2,364,104	2,703,476
Disposal	-	-	-	-	(14,133)	-	(14,133)
Transfers	48,321	774,572	740,630	255,902	150,700	(1,970,125)	-
Foreign exchange difference	(23,951)	(54,466)	-	202	(3,779)	13	(81,981)
Depreciation charge for the year	(571,183)	(1,721,487)	(407,858)	(34,541)	(476,232)	-	(3,211,301)
Relating to disposals	-	-	-	-	14,133	-	14,133
Impairment charge*	(570,955)	(788,328)	-	-	-	-	(1,359,283)
Closing net book amount	**2,410,467**	**7,600,098**	**1,721,144**	**283,478**	**1,575,904**	**1,929,627**	**15,520,718**
At 31 December 2017							
Cost	10,165,071	27,843,703	3,687,297	1,129,775	4,646,416	1,929,614	49,401,876
Foreign exchange differences related to cost	(39,810)	(98,582)	-	(594)	(10,061)	13	(149,034)
Accumulated depreciation and impairment charge	(7,730,653)	(20,189,139)	(1,966,153)	(846,499)	(3,066,733)	-	(33,799,177)
Foreign exchange differences related to accumulated depreciation	15,859	44,116	-	796	6,282	-	67,053
Net book amount	**2,410,467**	**7,600,098**	**1,721,144**	**283,478**	**1,575,904**	**1,929,627**	**15,520,718**

* Management performed a valuation for the property, plant and equipment through a discounted cash flow method and concluded that its carrying amount at the year-end exceeded its value in use as at that date and accordingly a provision for impairment of KD 1,359,283 was recognised during the year.

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5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense for the year is included in the consolidated statement of income as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Cost of sales of goods	3,047,287	2,936,892
Selling, general and administrative expenses	164,014	206,610
	3,211,301	3,143,502

6 INVESTMENT IN AN ASSOCIATE

Name of associate	Principal activity	Place of incorporation	Ownership interest % 2017	Ownership interest % 2016	Carrying Amount 2017	Carrying Amount 2016
Al Dorra Petroleum Services Company K.S.C. (Closed) (Al Dorra)	Petroleum services to oil and gas sector	Kuwait	37.99%	37.99%	9,432,875	8,936,918

Summarised financial information in respect of the Group's investment in its associate is set out below:

	As at 31 December 2017	As at 31 December 2016
Total assets	51,805,863	48,933,789
Total liabilities	25,166,629	23,600,048
Net assets	26,639,234	25,333,741

Reconciliation to carrying amounts:

	Year ended 31 December 2017	Year ended 31 December 2016
Opening net assets 1 January	25,333,741	24,500,835
Profit for the year	1,250,050	834,344
Other comprehensive income	55,443	(1,438)
Closing net assets	26,639,234	25,333,741
Group share in %	37.99%	37.99%
Share of associate's net assets	10,120,245	9,624,288
Impairment losses recognised in prior years	(687,370)	(687,370)
Carrying amount as of 31 December	9,432,875	8,936,918

During the year, the Group has recorded share of result gain of KD 474,894 (2016: gain of KD 316,967) based on unaudited financial statements of the investee for the year ended 31 December 2017. The carrying value of the Group's investment in the associate is determined to be its recoverable amount, which is determined based on the value in use using discount rate of 11.50 % (2016: 11.25%) and terminal growth rate of 2% (2016: 2%). If the estimated discount rate had been 0.5% higher than management's estimate (for example, 12% instead of 11.50%), the recoverable amount of the associate will be lower by KD 607 thousand, resulting in impairment loss.

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7 AVAILABLE-FOR-SALE FINANCIAL ASSET

Available- for-sale financial asset represents investment in quoted equity security. The fair value of this security is based on year end bid price in an active market.

8 INVENTORIES

	As at 31 December	
	2017	2016
Finished goods	292,494	315,987
Raw materials	241,240	315,311
Spare parts	960,771	1,041,351
	1,494,505	1,672,649

9 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
Trade receivables	6,239,346	6,144,782
Advances	354,829	354,561
Prepayments	209,583	130,191
Other receivables	199,448	167,409
Total	7,003,206	6,796,943

As of 31 December 2017, the carrying value of trade and other receivables approximates their fair values. During the year, trade receivables with an amount of KD 26,996 have been written off (2016: KD 46,475).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2017	2016
Kuwaiti Dinars	4,678,691	3,771,569
US dollars	1,216,092	1,216,092
United Arab Emirates Dirahms	1,094,896	1,774,506
Qatari Riyal	13,527	34,776
Total	7,003,206	6,796,943

10 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2017	2016
Cash on hand	12,395	10,565
Cash at banks	2,596,281	764,714
Cash and cash equivalents	2,608,676	775,279

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11 POST-EMPLOYMENT BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	As at 31 December	
	2017	2016
Provision as at 1 January	1,772,051	1,627,332
Provided during the year	258,407	262,843
End of service benefits paid	(82,340)	(118,124)
Provision as at 31 December	1,948,118	1,772,051

12 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
Trade payables	1,188,081	1,441,927
Advance from customers	131,107	71,863
Accrual expenses	1,277,273	987,571
Tax payable	441,758	425,309
	3,038,219	2,926,670

13 SHARE CAPITAL

	As at 31 December	
	2017	2016
Authorised, issued and fully paid 100,900,800 (2016: 100,900,800) shares of nominal value of 100 fils each paid in cash	10,090,080	10,090,080

14 STATUTORY RESERVE

In accordance with the Companies' Law No. 1 of 2016, and the Parent Company's Memorandum and Articles of Association, as amended, 10 % of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is required to be transferred to the statutory reserve until the reserve totals 50 % of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5 % of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount. The Annual General Assembly meeting of shareholders held on 2 May 2017 approved the hold of transfer to statutory reserve as it exceeds 50% from the paid up capital.

15 VOLUNTARY RESERVE

In accordance with the Parent Company's Memorandum and Articles of Association, as amended, 10 % of the profit for the year before KFAS, NLST, Zakat and director's remuneration is required to be transferred to the voluntary reserve. This transfer may be discontinued by a resolution adopted by the ordinary assembly of the shareholders as recommendation by the Board of Directors'. There are no restrictions on the distribution of the voluntary reserve. The Annual General Assembly meeting of shareholders held on 2 May 2017 approved the hold of transfer to voluntary reserve.

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16 BREAKDOWN OF EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016
Changes in inventories of finished goods and work in progress	(12,520)	(51,205)
Raw materials and consumables used	4,069,589	2,674,830
Salaries and other direct employee allowances	3,579,026	3,351,866
Depreciation	3,211,301	3,143,503
Rent expense	347,825	293,400
Bad debt expense	26,996	46,475
Consultancy fees	52,741	9,570
Others	3,332,650	2,307,556
	14,607,608	11,775,995

17 EARNINGS PER SHARE (BASIC AND DILUTED)

	Year ended 31 December	
	2017	2016
Earnings per share is calculated as follows:		
Profit for the year (KD)	6,219,402	5,838,391
Weighted average number of outstanding shares	100,900,800	100,900,800
Earnings per share (Basic and diluted) (fils)	61.64	57.86

18 RELATED PARTY TRANSACTIONS

Related parties consists of shareholders, directors, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Related party transactions are as follows:

	Year ended 31 December	
	2017	2016
Key management compensation		
Salaries and other short-term benefits	430,585	403,411
Executive committee benefits	60,000	60,000
Post-employment benefits	45,947	43,867
	536,532	507,278

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19 ANNUAL GENERAL ASSEMBLY MEETING

The Board of Directors proposed 50% cash dividends of the paid up share capital for the year ended 31 December 2017. This proposal is subject to the approval of the shareholders in the Annual General Assembly and has not been accounted for in these consolidated financial statements.

The Annual General Assembly meeting of shareholders held on 2 May 2017 approved the consolidated financial statements of the Group for the year ended 31 December 2016, and approved a cash dividend equivalent to 50 % of the paid up share capital for the year ended 31 December 2016 (2015: 40%) to the shareholders of record as of the date of the Annual General Assembly, and also approved an issue of bonus shares for the year ended 31 December 2016 Nil (2015: one share for every four shares held) and to distribute directors' remuneration of KD 73,600 (2015: KD 70,000).

20 SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance. The management has grouped the Group's products and services into the following operating segments:

- Chlor Alkali
- Petrochemical products
- Logistics and Transport
- Investments

Segment revenue and results

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

	Revenue		Segment result	
	2017	2016	2017	2016
Chlor Alkali	19,459,645	15,831,834	9,556,526	7,519,873
Petrochemical products	1,812,780	1,050,154	103,501	67,790
Logistics and transport	600,213	249,395	108,038	5,384
Investments	-	-	474,894	316,967
	21,872,638	17,131,383	10,242,959	7,910,014
Other income			181,447	370,012
Finance costs			(50,647)	(18,552)
Unallocated expenses			(4,154,357)	(2,423,083)
Profit for the year			6,219,402	5,838,391

	Year end 31 December	
	2017	2016
Geographical segments		
Kuwait and Middle East	19,309,751	16,072,844
Europe and Africa	2,258,928	806,646
Asia	303,959	251,893
Total consolidated segment revenue	21,872,638	17,131,383

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20 SEGMENT INFORMATION (continued)

Segment assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments:

	As at 31 December	
	2017	2016
Segment assets		
Chlor Alkali	24,649,017	24,343,633
Petrochemical products	267,042	819,281
Logistics and transport	1,711,046	1,551,764
Investments	11,002,222	10,702,312
Total consolidated segment assets	37,629,327	37,416,990
Segment liabilities		
Chlor Alkali	4,264,107	5,108,594
Petrochemical Products	379,873	321,598
Logistics and transport	342,357	268,529
Total consolidated segment liabilities	4,986,337	5,698,721

21 COMMITMENTS AND CONTINGENT LIABILITIES

	As at 31 December	
	2017	2016
Capital commitments		
For the acquisition of property, plant and equipment	881,855	539,007
Contingent liabilities		
Letters of guarantee	2,567,844	4,067,565
Letters of credit	406,632	398,225
	2,974,476	4,465,790

Operating lease commitments

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

	As at 31 December	
	2017	2016
Not later than one year	118,478	50,887
Later than one year but not later than five years	478,662	101,826

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