

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

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

30 June 2022

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Kout Industrial Projects Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 30 June 2022, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: ‘*Interim Financial Reporting*’ (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

The Group’s investment in Al Dorra Petroleum Services Company K.S.C. (Closed), an associate accounted for using the equity method, is carried at KD 2,647,605 on the interim condensed consolidated statement of financial position as at 30 June 2022, and the Group’s share of results of an associate amounting to KD 14,699 included in the interim condensed consolidated statement of profit or loss for the period then ended are based on the management accounts, as reviewed interim condensed consolidated financial information are not available in respect of this associate as at the authorisation date of the Group’s interim condensed consolidated financial information. As a result, we were unable to obtain sufficient appropriate evidence about the carrying amount of the Group’s investment in the associate as at 30 June 2022 and the Group’s share of results for the period then ended. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the “*Basis for Qualified Conclusion*” paragraph of our report, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, except for the possible effects of the matter described in the *"Basis for Qualified Conclusion"* paragraph above, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, except for the possible effects of the matter described in the *"Basis for Qualified Conclusion"* paragraph above, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six-month period ended 30 June 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, except for the possible effects of the matter described in the *"Basis for Qualified Conclusion"* paragraph above, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the six-month period ended 30 June 2022 that might have had a material effect on the business of the Parent Company or on its financial position.



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

2 August 2022
Kuwait

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)**

For the period ended 30 June 2022

Notes	Three months ended 30 June		Six months ended 30 June	
	2022 KD	2021 KD	2022 KD	2021 KD
Revenue from contracts with customers	10,781,805	7,967,980	18,559,762	14,828,822
Cost of sales and services rendered	(5,451,248)	(5,541,258)	(10,346,762)	(10,092,675)
GROSS PROFIT	5,330,557	2,426,722	8,213,000	4,736,147
Commission income	21,977	15,062	54,358	24,131
Other income	9,664	43,507	20,633	61,406
General and administrative expenses	(898,293)	(682,325)	(1,572,986)	(1,367,008)
Other expenses	(255,071)	(130,539)	(428,293)	(256,428)
(Allowance for) reversal of provisions and impairment losses	(571,349)	8,583	(617,036)	45,287
Net foreign exchange differences	43,717	(29,789)	64,900	(45,702)
OPERATING PROFIT	3,681,202	1,651,221	5,734,576	3,197,833
Share of results of an associate	7,530	(41,167)	14,699	(41,167)
Changes in fair value of financial assets at fair value through profit or loss	116,717	(139,996)	263,719	(240,716)
Divided income	62,654	-	62,654	-
Finance costs	(50,318)	(33,395)	(83,591)	(83,457)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION	3,817,785	1,436,663	5,992,057	2,832,493
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")	(44,130)	(13,955)	(65,944)	(27,913)
National Labour Support Tax ("NLST")	(98,881)	(39,206)	(153,327)	(72,737)
Zakat	(45,647)	(16,094)	(67,354)	(29,506)
Directors' remuneration	(7,500)	(2,000)	(15,000)	(7,500)
PROFIT FOR THE PERIOD	3,621,627	1,365,408	5,690,432	2,694,837
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	4	35.89 Fils	13.53 Fils	56.40 Fils

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)**

For the period ended 30 June 2022

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
PROFIT FOR THE PERIOD	3,621,627	1,365,408	5,690,432	2,694,837
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	48,937	(9,443)	67,294	(10,761)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	48,937	(9,443)	67,294	(10,761)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>				
Share of other comprehensive income of an associate	-	47,019	-	47,019
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	-	47,019	-	47,019
Other comprehensive income for the period	48,937	37,576	67,294	36,258
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,670,564	1,402,984	5,757,726	2,731,095

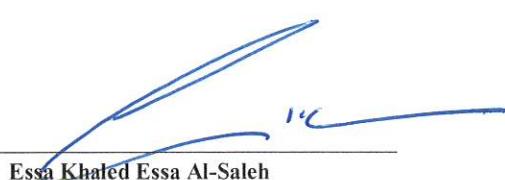
The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2022

	30 June 2022 KD	31 December 2021 KD	(Audited) 30 June 2021 KD
ASSETS			
Non-current assets			
Property, plant and equipment	14,008,120	12,994,685	11,987,667
Right-of-use assets	614,141	548,990	437,242
Investment in an associate	2,647,605	2,632,906	3,005,852
Goodwill	4,937,402	4,937,402	4,937,402
	<hr/> 22,207,268	<hr/> 21,113,983	<hr/> 20,368,163
Current assets			
Financial assets at fair value through profit or loss	978,835	715,116	743,189
Inventories	2,726,538	2,540,544	4,064,973
Trade receivables and contract assets	9,860,407	9,988,754	8,734,397
Prepayments and other receivables	3,133,466	2,586,105	1,871,563
Cash and bank balances	1,424,857	1,786,166	3,405,772
	<hr/> 18,124,103	<hr/> 17,616,685	<hr/> 18,819,894
TOTAL ASSETS	<hr/>40,331,371	<hr/>38,730,668	<hr/>39,188,057
EQUITY AND LIABILITIES			
Equity			
Share capital	10,090,080	10,090,080	10,090,080
Statutory reserve	5,186,422	5,186,422	5,186,422
Voluntary reserve	5,148,415	5,148,415	5,148,415
Effect of changes in other comprehensive income of an associate	(2,562,823)	(2,562,823)	(2,562,823)
Foreign currency translation reserve	603,838	536,544	535,117
Retained earnings	9,720,460	8,066,060	5,779,085
Total equity	28,186,392	26,464,698	24,176,296
Non-current liabilities			
Employees' end of service benefits	1,984,635	1,843,611	1,953,272
Lease liabilities	102,578	382,701	234,708
	<hr/> 2,087,213	<hr/> 2,226,312	<hr/> 2,187,980
Current liabilities			
Trade payables, contract liabilities and other payables	4,580,786	5,173,589	7,125,555
Lease liabilities	536,805	214,466	232,162
Loans and borrowings	4,940,175	4,651,603	5,466,064
	<hr/> 10,057,766	<hr/> 10,039,658	<hr/> 12,823,781
Total liabilities	12,144,979	12,265,970	15,011,761
TOTAL EQUITY AND LIABILITIES	<hr/>40,331,371	<hr/>38,730,668	<hr/>39,188,057


Essa Khaled Essa Al-Saleh

Chairman


Faisal Youssef Malallah
Chief Executive Officer

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2022

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Effect of changes in other comprehensive income of an associate KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
As at 1 January 2022	10,090,080	5,186,422	5,148,415	(2,562,823)	536,544	8,066,060	26,464,698
Profit for the period	-	-	-	-	-	5,690,432	5,690,432
Other comprehensive income for the period	-	-	-	-	67,294	-	67,294
Total comprehensive income for the period	-	-	-	-	67,294	5,690,432	5,757,726
Cash dividends (Note 9)	-	-	-	-	-	(4,036,032)	(4,036,032)
At 30 June 2022	10,090,080	5,186,422	5,148,415	(2,562,823)	603,838	9,720,460	28,186,392
As at 1 January 2021	10,090,080	5,186,422	5,148,415	(2,609,842)	545,878	5,102,264	23,463,217
Profit for the period	-	-	-	-	-	2,694,837	2,694,837
Other comprehensive income (loss) for the period	-	-	-	47,019	(10,761)	-	36,258
Total comprehensive income (loss) for the period	-	-	-	47,019	(10,761)	2,694,837	2,731,095
Cash dividends (Note 9)	-	-	-	-	-	(2,018,016)	(2,018,016)
At 30 June 2021	10,090,080	5,186,422	5,148,415	(2,562,823)	535,117	5,779,085	24,176,296

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

For the period ended 30 June 2022

	<i>Six months ended 30 June</i>	
	2022 KD	2021 KD
OPERATING ACTIVITIES		
Profit before tax and directors' remuneration	5,992,057	2,832,493
<i>Adjustments to reconcile profit before tax and directors' remuneration to net cash flows:</i>		
Depreciation of property, plant, and equipment	1,131,995	1,274,627
Depreciation of right-of-use assets	141,674	158,329
Allowance for (reversal of) provisions and impairment losses	617,036	(45,287)
Share of results of an associate	(14,699)	41,167
Changes in fair value of financial assets at fair value through profit or loss	(263,719)	240,716
Provision for employees' end of service benefits	239,290	223,423
Dividend income	(62,654)	-
Interest on loans and borrowings	71,866	75,235
Interest on lease liabilities	11,725	8,222
	7,864,571	4,808,925
<i>Working capital changes:</i>		
Inventories	(185,994)	(985,457)
Trade receivables and contract assets	8,811	1,512,108
Prepayments and other receivables	(547,361)	(306,534)
Trade payables, contract liabilities and other payables	(1,089,815)	202,595
Cash flows generated from operations	6,050,212	5,231,637
Taxes paid	(302,113)	-
Employees' end of service benefits paid	(98,266)	(146,455)
Net cash flows from operating activities	5,649,833	5,085,182
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,116,513)	(753,139)
Dividend income received	62,654	-
Net cash flows used in investing activities	(2,053,859)	(753,139)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	8,450,000	-
Repayment of loans and borrowings	(8,161,428)	(381,323)
Finance costs paid	(71,866)	(75,235)
Payment of principal portion of lease liabilities	(176,334)	(165,812)
Dividend paid	(4,036,032)	-
Net cash flows used in financing activities	(3,995,660)	(622,370)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(399,686)	3,709,673
Cash and cash equivalents at 1 January	1,786,166	(297,861)
Net foreign exchange differences	38,377	(6,040)
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,424,857	3,405,772
Non-cash items excluded from the interim condensed consolidated statement of cash flows:		
Additions to lease liabilities	113,571	86,289
Additions to right-of-use assets	(113,571)	(86,289)
Remeasurement of lease liabilities	93,254	-
Remeasurement of right-of-use assets	(93,254)	-
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Al Kout Industrial Projects Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2022

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Al Kout Industrial Projects Company K.S.C.P. (the “Parent Company”) and its Subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 was authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 2 August 2022.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved in the annual general assembly meeting (AGM) of the shareholders of the Parent Company held on 19 April 2022.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company head office is located in Hamra Tower, 18th Floor, Abdulaziz Al-Sager Street, Sharq and its registered postal address is P.O. Box 181, Ali Sabah Al Salem 65000, Kuwait.

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

- ▶ Import, storage and distribution of cement and other bulk materials; establishing, operating and managing storage silos; acquiring interest in other companies engaged in similar activities and investing surplus funds through portfolio managers in shares of investment and real estate companies.
- ▶ Production of chlorine and salt, steel drums to fill soda solid and other petrochemical products (after approval of Public Authority for Industry).
- ▶ Transport Company’s products inside and outside the State of Kuwait according to Company’s objectives.
- ▶ Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or drawings and any other rights thereto and renting thereof to other companies whether inside or outside Kuwait.
- ▶ Acquisition of movables and properties necessary for the Parent Company to practice its activities pursuant to the limits prescribed by law.
- ▶ Investing surplus funds in portfolios managed by specialised financial companies.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Parent Company achieve its objectives inside Kuwait and abroad. The Group may also purchase such entities or affiliate them.

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Group has prepared the interim condensed consolidated financial information on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2021.

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

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

The accounting policies adopted and methods of computation followed in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial information of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2022

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

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

Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37*

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the interim condensed consolidated financial information as the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts.

Reference to the Conceptual Framework – *Amendments to IFRS 3*

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – *Amendments to IAS 16*

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the interim condensed consolidated financial information of the Group as it is not a first-time adopter.

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

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

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the interim condensed consolidated financial information of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

3.1 Disaggregated revenue information

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

	Three months ended 30 June		Six months ended 30 June	
	2022 KD	2021 KD	2022 KD	2021 KD
Types of goods or services				
Sale of Chlor Alkali	7,306,451	4,546,070	12,221,370	8,845,753
Sales of industrial materials	3,290,067	2,284,387	5,915,229	4,540,283
Blending of chemicals services	14,186	15,256	47,161	36,974
Construction of chlorine dioxide plant for groundwater reservoirs	160,325	771,822	351,953	1,040,437
Logistic services	10,776	350,445	24,049	365,375
Total revenue from contracts with customers	10,781,805	7,967,980	18,559,762	14,828,822
Geographical markets				
Kuwait	6,501,688	5,821,286	12,043,157	10,355,947
Other MENA	3,390,920	1,554,436	5,291,844	3,100,204
Asia	167,961	106,730	281,510	337,674
South America and North America	52,724	120,780	237,642	163,393
Others	668,512	364,748	705,609	871,604
Total revenue from contracts with customers	10,781,805	7,967,980	18,559,762	14,828,822
Timing of revenue recognition				
Goods and services transferred at a point in time	10,610,704	6,845,713	18,183,760	13,423,010
Goods and services transferred over time	171,101	1,122,267	376,002	1,405,812
Total revenue from contracts with customers	10,781,805	7,967,980	18,559,762	14,828,822

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As at and for the period ended 30 June 2022

3 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

3.2 Contract balances

	30 June 2022 KD	31 December 2021 KD	30 June 2021 KD
Trade receivables	9,860,407	9,893,791	8,273,278
Contract assets	-	94,963	461,119
Contract liabilities	(3,859)	-	(316,075)

4 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Profit for the period (KD)	3,621,627	1,365,408	5,690,432	2,694,837
Weighted average number of shares outstanding during the period (shares)	100,900,800	100,900,800	100,900,800	100,900,800
Basic and diluted EPS (Fils)	35.89	13.53	56.40	26.71

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

5 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group has commitments in respect of future capital expenditure amounting to KD 300,350 (31 December 2021: KD 497,943 and 30 June 2021: KD 314,763) relating to ongoing projects under construction.

Legal contingency

During the prior year, the Ministry of Electricity and Water (MEW) in the State of Kuwait has decided to withdraw a certain contract, namely North Az-Zour Chlorine Dioxide Plant Project ("Contract") for an alleged breach of terms and specifications set forth in the Contract and inability to implement the contractual obligations therein. The Parent Company requested MEW and the Central Tenders Committee to consider the revocation of termination and reinstatement of the Contract.

On 9 September 2021, the Parent Company filed a Burden of Proof (No. 904-2021) against MEW. On 17 October 2021, the Parent Company commenced a legal action against MEW to preserve its financial and legal rights. During the current period, the court referred the legal case to the experts' department to verify the elements of the lawsuit and submit their findings accordingly. The court hearing has been adjourned and re-scheduled on 9 August 2022 and the discovery proceedings on the legal action are still in progress as at the authorisation date of the interim condensed consolidated financial information as at 30 June 2022.

The Group has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in this interim condensed consolidated financial information of the Group as at 30 June 2022.

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5 COMMITMENTS AND CONTINGENCIES (continued)

Other contingencies

At 30 June 2022, the Group's bankers had outstanding letter of guarantees and credits amounting to KD 6,471,152 (31 December 2021: KD 6,809,425 and 30 June 2021: KD 6,910,299) for the performance of certain contracts for which it is anticipated that no material liabilities will arise.

6 RELATED PARTY DISCLOSURES

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

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

Transactions with key management personnel

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

	Transaction values for the three months ended 30 June		Transaction values for the six months ended 30 June	
	2022 KD	2021 KD	2022 KD	2021 KD
	90,831	59,609	179,856	123,292
Salaries and other short-term benefits	12,188	4,017	19,560	10,127
	103,019	63,626	199,416	133,419
Balance outstanding as at				
(Audited)				
30 June		31 December	30 June	
2022 KD		2021 KD	2021 KD	
Salaries and other short-term benefits	49,603	32,990	27,278	
Employees end of service benefits	53,522	33,962	19,904	
	103,125	66,952	47,182	

The Board of Directors at the meeting held on 16 March 2022 proposed directors' remuneration of KD 30,000 for the year ended 31 December 2021 (31 December 2020: KD 12,000). The remuneration was approved by the shareholders at the AGM held on 19 April 2022.

7 SEGMENT INFORMATION

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

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

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7 SEGMENT INFORMATION (continued)

a) Segment revenue and results

The following tables present revenue and profit information of the Group's operating segments for the period ended 30 June 2022 and 2021, respectively:

	Six months ended 30 June		Six months ended 30 June	
	2022 KD	2021 KD	2022 KD	2021 KD
	Revenue		Results	
Chlor Alkali	12,393,939	9,027,367	7,646,806	4,215,348
Petrochemical products	47,161	36,974	36,979	26,278
Trading	6,434,665	5,016,063	1,479,826	1,210,815
Logistics and transport	1,024,832	1,295,665	8,090	18,701
Industrial projects	351,953	1,040,430	42,082	195,295
Investments	-	-	341,072	(281,883)
Adjustments and eliminations	(1,692,788)	(1,587,677)	(1,000,783)	(930,290)
Consolidated	18,559,762	14,828,822	8,554,072	4,454,264
Commission income			54,358	24,131
Other income			20,633	61,406
Net foreign exchange differences			64,900	(45,702)
Finance costs			(83,591)	(83,457)
Other unallocated amounts			(2,919,940)	(1,715,805)
Profit for the period			5,690,432	2,694,837

	Six months ended 30 June		Six months ended 30 June	
	2022 KD	2021 KD	2022 KD	2021 KD
	Purchases of property, plant and equipment		Depreciation of property, plant, and equipment	
Chlor Alkali	2,088,968	741,430	1,020,557	1,149,489
Petrochemical products	-	-	1,730	-
Trading	27,545	11,709	11,737	10,787
Logistics and transport	-	-	97,971	114,351
	2,116,513	753,139	1,131,995	1,274,627

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As at and for the period ended 30 June 2022

7 SEGMENT INFORMATION (continued)

b) Segment assets and liabilities

The following tables present assets and liabilities information for the Group's operating segments as at 30 June 2022, 31 December 2021 and 30 June 2021, respectively:

	(Audited)		
	30 June 2022 KD	31 December 2021 KD	30 June 2021 KD
Segment assets			
Chlor Alkali	30,741,397	29,658,093	30,088,784
Petrochemical products	22,866	117,855	103,579
Trading	5,489,561	4,891,754	4,017,847
Logistics and transport	451,107	619,981	767,687
Industrial projects	-	94,963	461,119
Investments	3,626,440	3,348,022	3,749,041
Total consolidated segment assets	40,331,371	38,730,668	39,188,057

	(Audited)		
	30 June 2022 KD	31 December 2021 KD	30 June 2021 KD
Segment liabilities			
Chlor Alkali	10,042,174	9,923,215	10,444,287
Petrochemical Products	160,623	85,529	128,610
Trading	1,668,001	1,830,106	1,681,072
Logistics and transport	259,624	422,758	419,339
Industrial projects	3,859	-	316,075
Other unallocated amounts	10,698	4,362	2,022,378
Total consolidated segment liabilities	12,144,979	12,265,970	15,011,761

c) Geographical segments

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

	Six months ended 30 June	
	2022 KD	2021 KD
Kuwait	13,563,376	11,762,017
Other MENA	5,464,413	3,281,811
Asia	281,510	337,674
South America and North America	237,642	163,393
Others	705,609	871,604
Adjustments and eliminations	(1,692,788)	(1,587,677)
Total consolidated segment revenue	18,559,762	14,828,822

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

8 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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

Fair value hierarchy

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Valuation methods and assumptions

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

Listed investment in equity securities

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

Other financial assets and liabilities

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

9 DISTRIBUTIONS MADE AND PROPOSED

The Board of Directors in their meeting held on 16 March 2022, proposed a cash dividend of 40% (2020: 20%) of the paid-up share capital (40 fils per share aggregating to KD 4,036,032) for the year ended 31 December 2021 (2020: 20 fils per share aggregating to KD 2,018,016).

The proposed dividend for the year ended 31 December 2021 were approved by the shareholders of the Parent Company at the annual general meeting (AGM) held on 19 April 2022 and subsequently paid.

Dividends payable as at 30 June 2022 amounted to KD 10,698 (31 December 2021: KD 4,362 and 30 June 2021: KD 2,022,378) and recorded within "Trade payables, contract liabilities and other payables" in the interim condensed consolidated statement of financial position.