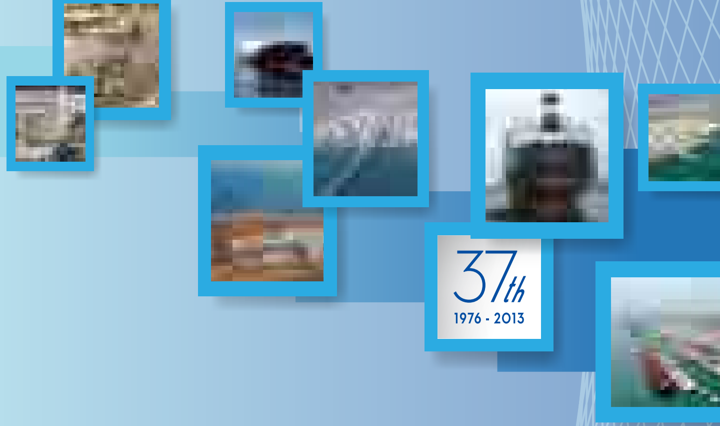
المجموعة البترولية المستقلة ش.م.ك
Independent Petroleum Group S.A.K



ANNUAL REPORT 2013

His Highness Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir of The State of Kuwait

His Highness Sheikh
Nawwaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince of The State of Kuwait

Board of Directors

• ***Khalaf A. Al-Khalaf***	Chairman
• ***Ghazi F. Al-Nafisi***	Vice Chairman
• ***Waleed J. Hadeed***	Executive Managing Director
• ***Abdullah A. Zaman***	Managing Director - Planning
• ***Abdullah E. Al-Kandari***	Director & Chief Financial Officer
• ***Mohammad A.Qasim***	Director and General Manager - Marketing
• ***Ali M. Al-Radwan***	Director
• ***Ali R. Al-Bader***	Director

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Report of the Board of Directors For 2013

Message to the Shareholders

Dear Shareholders,

The Board of Directors is pleased to present to its shareholders the 37th Annual Report on the performance of the Independent Petroleum Group (IPG) for the year 2013.

Global Oil Markets witnessed massive challenges during the year 2013 due to global economic instability and uncertainty in predicting future oil prices. Accordingly, future oil price estimations were lower than current price levels. This situation has resulted into oil storage operations becoming uneconomical, thus leading to lower storage utilization for the Company.

Crude oil prices fluctuated in very volatile and unpredictable way during 2013. Brent crude reached US$ 118.75 per barrel during January and dropped down to $ 97.50 during April. Then in August the price increased to $ 116.50 and dropped down again during November, settling at $ 103.50. These price fluctuations are attributed to the instability and uncertainty in the economic and political situations which prevailed Worldwide, particularly in Europe and the Middle East.

Global Financial Markets performance was remarkable as the Federal Reserve Bank supported the US economy by injecting US$ 85 Billion monthly in the American market causing the Dow Jones index to increase from 13,412.55 points at the beginning of the year to 16,576.66 points at the end of 2013. The improvement in the financial markets had a positive impact on the Company's portfolio performance, resulting in good revenues during the year.

Despite the above difficulties and uncertainties experienced during 2013, the Company has managed to achieve a profit of KWD 6.075 million or 42 Fils/ Share.

IPG's Equity Movement (KD Million)

37 Years of Establishment

S&P 500 and Dow Jones Movement during 2013

Summary of the Company's Results for 2013

Marketing & Trading Activity

Despite the price fluctuations and the increased competition in the Company's traditional markets, the Company still managed to market nearly 4.6 million tons of petroleum products i.e. about 100,000 barrels/ day compared to sales of approximately 85,000 barrel/ day for the year 2012; an increase of about 18 %.

(a) Trading Activity in the Gulf and the Red Sea

Cooperation continued between IPG and The National Oil Producing Companies such as BAPCO, Saudi Aramco, Aden Refinery Company. Contracts were also concluded with Major Oil Companies such as EXXON – MOBIL, SHELL and BP to supply the Company's markets in the Gulf and the Red Sea. Cooperation commenced during 2013 with Petrochina, where large quantities of Fuel Oil and Gasoline were provided to IPG to cover its commitments in the Red Sea. Large quantities of products were also purchased on spot basis from Independent International Oil Companies such as Glencore, Gunvor, and Trafigura.

Nearly 1.1 million tons of Diesel and Jet Fuel and Gasoline were supplied to Ethiopia for the second consecutive year. Also, IPG managed to renew the contract with the Ethiopian Petroleum Supply Enterprises (EPSE) to provide Ethiopia with about 1.5 million tons of petroleum products during 2014.

(b) Trading Activity in East Africa

Competition increased in the East Africa's markets due to the entry of several Major Global Oil Companies. However, IPG has managed to sell approximately 850,000 Tons of various petroleum products in these markets.

(c) Trading Activity in the Mediterranean Sea and the Black Sea

Trading activities continued in the Mediterranean and Black Sea. Uniterminals, the Lebanese-based Company, 50% owned by IPG, enjoyed the highest percentage of sales in Lebanon of Diesel, Jet Fuel and Gasoline. Most of these quantities were purchased through annual contracts concluded with Greece's Hellas Motor Oil, Russia's Litasco, and Glencore International of Switzerland.

(d) Trading Activity in India and the Far East

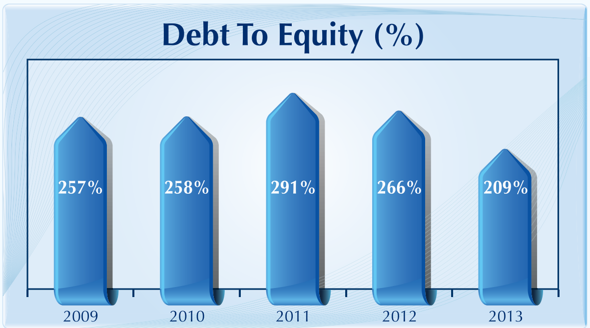
Due to the decreased business opportunities and the poor economics, little purchases of oil products were made from India, especially from Reliance Petroleum Industries. However, small quantities were purchased from them on a spot basis.

As for the Far East, large quantities of diesel were purchased from the British company BP and the South Korean company Winson Oil in Singapore. The quantities purchased were delivered to our markets in Yemen and East Africa.

(e) Shipping

The Shipping Department carried out 143 shipping operations during 2013. The new IPG-owned Oil Tanker (D&K Yusuf I. Al-Ghanim) and the long term chartered ship (D&K1) – have executed 21 voyages. The Department also leased 38 tankers from the spot market to supply the Company's customers with contracted products. Total quantities shipped by IPG during 2013 were approximately 4.6 million tons.

A preliminary agreement was concluded in 2013 with the South Korean Company STX to build two new tankers with a capacity of 50,000 tons each so that both would be added to the Company's shipping fleet. It is expected that all the details of this contract would be finalized during January 2014.

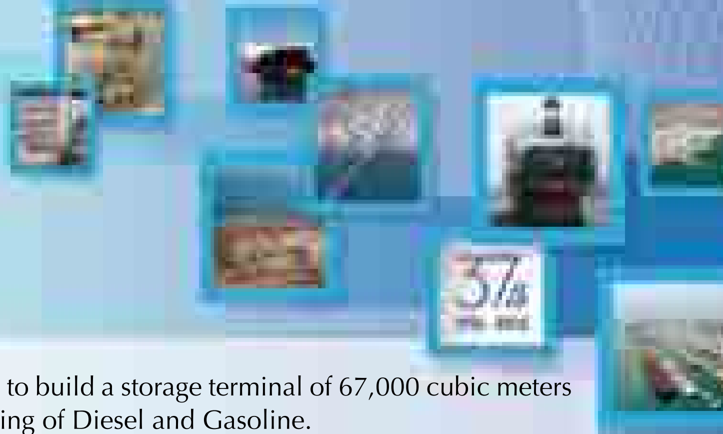


(f) Storage of Petroleum Products

The total storage capacity where IPG's ownership ranges between 11.1% - 50%, was 4.7 million cubic meters. In December 2013, VOPAK Horizon Fujairah Limited (VHFL), a UAE company (in which IPG owns 11.1%) signed an agreement with the Fujairah port and an International Petroleum Company for the construction and lease of additional tankage as part of the 7th phase of the expansion project. This expansion will involve adding 478,000 cubic meters for Crude Oil, increasing VHFL total storage capacity to 2.6 million cubic meters. The expansion project is expected to be completed by 2016.

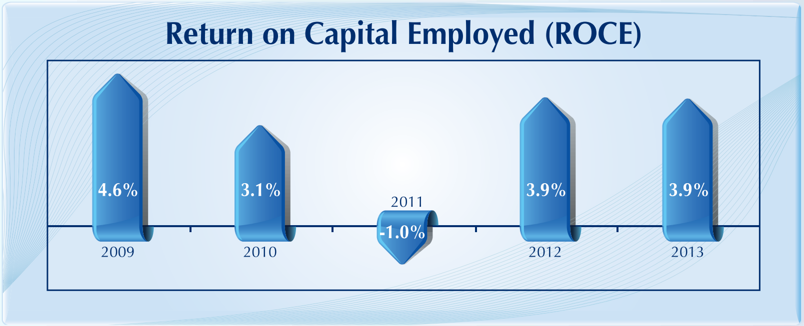
Business & Projects Development

IPG continued to follow up its existing projects. It also developed new projects that would achieve its income diversification strategy through investment in high-returns projects. An agreement was concluded in 2013 with Petrogal, a Portuguese Company, to build two storage terminals with a total storage capacity of approximately 121,000 cubic meters in Beira and Matola Port in Mozambique. In this respect, two new Companies, evenly owned by IPG and GALP, were established as follows:



1. IPG-GALP BEIRA TERMINAL LIMITADA (IGBTL) to build a storage terminal of 67,000 cubic meters in Beira, Mozambique for the storage and shipping of Diesel and Gasoline.
2. GALP – IPG MATOLA TERMINAL LIMITADA (GIMTL) to build a storage terminal of 54,000 cubic meters in Matola, Mozambique for the storage and shipping of Diesel, Gasoline, Jet Fuel and Liquefied Gas (LPG)

Preparation works for both projects have already commenced, including the fencing of both sites. Construction work is expected to start in 2014.



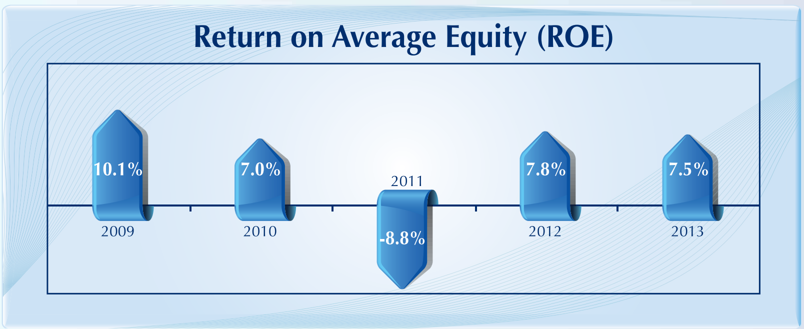
Finance & Treasury

In 2013, IPG continued to maintain its position in its traditional markets and to add and explore new markets. The Finance Department succeeded in supporting the 2013 sales by opening Letters of Credit worth approximately US$ 4.4 billion, an increase of 13% over 2012. The Finance Department also managed during 2013 to achieve lower borrowing costs compared to 2012. It also maintained and developed good relations with its existing International and Local Banks as well as adding new banks to assist in financing the additional requirements.

Human Resources Department

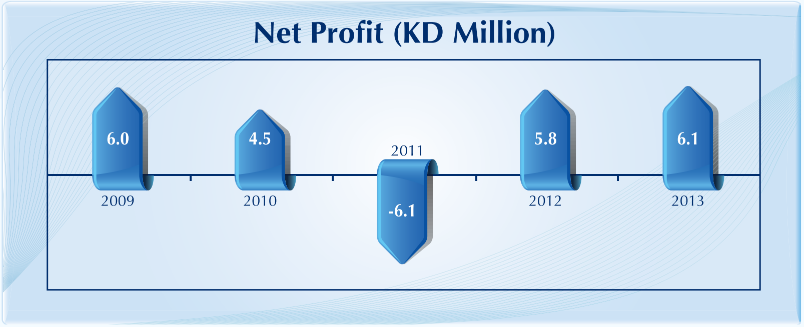
Manpower and human resource will remain to be the most valuable asset of the Company and its long term investment to support its efforts to succeed in an ever – changing environment. IPG will always endeavor to keep certain principles with regard to providing employment career satisfaction by offering competitive pay and benefits and commitments to provide tools and facilities that would enable employees to enrich their skills and reach their full potential.

During 2013, seven new employees were recruited bringing the total staff to 115. In 2014, new appointments will be made to the Executive Management team which will further strengthen our strategic and operational capability.



Information Technology

For the second year in a row, The IT Department continued with the cost saving strategy while implementing all our planned projects for 2013 without compromising on requirements in any aspect. After extensive discussions with various technology partners for our virtualization project, we designed the utmost befitting solution as per our requirements. This was then conveyed to top vendors for tender requests pushing them towards best offer submission and aggressive competition.
In so doing, we have saved approximately 40%of the budgeted amount for the Capital project (Virtualization). Furthermore, approximately 30% was saved on Microsoft licensing and implementation by negotiating a very good deal to complete the project with the maximum discount and benefits possible.
This project elevated IPG's Datacenter from Hardware dependent to virtual independent infrastructure. This will also minimize, if not nullify, our new Hardware requirements for the next five (5) years at least. Moreover, we will be able to create up to 20 new virtual servers at no extra cost. High availability, minimum downtime, and maximum efficiency are the major tangible benefits of this project.



Legal Affairs

The Legal Department is considered one of the most important divisions of the Company as its main duty is based on harmonizing legal and judicial issues between IPG Head Office in Kuwait and its subsidiaries Worldwide. The Legal Department played an important role throughout 2013 in safeguarding the interest of IPG on both levels, local and international. On the local level, the Department succeeded, through delivering several legal opinions, to ensure that IPG's business is in line with new Kuwaiti regulations particularly those of the Ministry of Commerce and Industry, Ministry of Foreign Affairs, Ministry of Labor and Social Affairs and The Chamber of Commerce and Industry and other State agencies.

On the international level, the Department strengthened and consolidated the business ventures of the Group with existing Business Partners and new international suppliers, by rendering the necessary legal support.

In conclusion, the Board of Directors expresses its sincere gratitude to the shareholders for their invaluable trust and support and to all the employees of IPG for their dedication.

The Board of Directors

IPG's Subsidiary, Joint Venture and Associate Companies (brief of facilities and latest development)

1 D&K Holdings LLC – UAE: (IPG share 100% - Subsidiary Company)

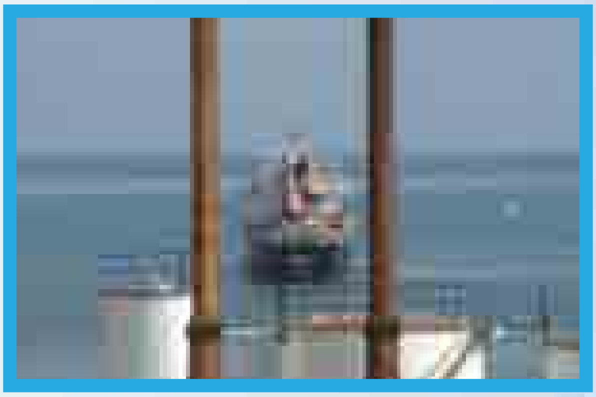
D&K Holdings LLC is the shipping arm of IPG. The Company owns and operates 2 petroleum product vessels which are fully utilized by IPG. One vessel has been scrapped recently. A long term vessels acquisition program was developed and being pursued to add two vessels with the objective of expanding the existing D&KH fleet over the next one and half years. The D&KH fleet will provide IPG with the required strategic controlled tonnage coverage.

2 Uniterminals – Lebanon: (IPG share 50% - Joint Venture Company)

Uniterminals markets petroleum products to wholesale buyers in Lebanon. It owns and operates a petroleum product storage terminal with a capacity of 74,000 cbm. It has a paid up capital of US$ 16.7 Million.

Other Shareholder is:

- Unihold SAL – Lebanon



3 Inpetro SARL, Beira – Mozambique: (IPG share 40% - Associate Company)

Inpetro owns and operates petroleum products storage terminal in Port Beira, Mozambique with a storage capacity of 95,000 cbm constructed at a total capital cost of US$ 26 Million.

Other Shareholders are:

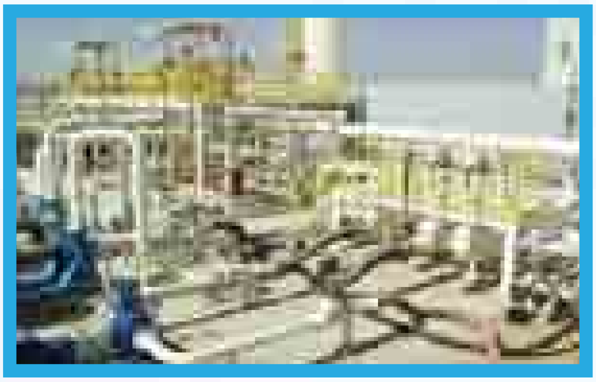
- PETROMOC – National Oil Company of the Republic of Mozambique
- NOIC – National Oil Infrastructure Company of Zimbabwe (PVT) Limited

4 Arabtank Terminals Ltd (ATT), Yanbu – Kingdom of Saudi Arabia: (IPG share 36.5% - Associate Company)

ATT owns and operates a storage facility of 287,700 cubic meters of which 268,500 cubic meters is for petroleum products and 19,200 cubic meters for chemical products with a total capital cost of US$ 79 Million. Construction of three (3) 16″ pipelines to transfer products from the Samref refinery, adjacent to ATTL has been completed. To improve the operational efficiency and flexibility of the terminal, a Debottlenecking project is being implemented to enable berthing of large vessels at the new Berth 20 in addition to the current Berth 21.

Other Shareholders are:

- ENOC – Emirates National Oil Company
- SARCO – Saudi Arabian Refining Company



5 Horizon Tangiers Terminals SA (HTTSA) – Morocco: (IPG share 32.5% Associate Company)

Construction of HTTSA Terminal for storage of petroleum products and black oil for bunkering was completed and the Terminal was commissioned in Feb. 2012. The total capacity of the facility is 533,000 cubic meters, constructed at a capital cost of 140.5 Million Euros.

Other Shareholders are:

- HTL – Horizon Terminals Limited (100% subsidiary of ENOC – Emirates National Oil Company)
- Afriquia SMDC – Moroccan Private Company

6 Horizon Djibouti Holdings Limited (HDHL) – Djibouti: (IPG share 22.22% Associate Company)

HDHL owns 90% of the Horizon Djibouti Terminals Limited (HDTL), with the remaining balance (10%) owned by Govt. of Djibouti. HDTL operates an independent storage terminal for petroleum products, LPG, chemicals and edible oils with a storage capacity of 370,000 cbm constructed at a capital cost of US$ 100 Million.

Other Shareholders are:

- HTL – Horizon Terminals Limited
- NSHL – Net Support Holdings Limited
- EML - Essence Management Limited

7 Horizon Singapore Terminals Private Limited (HSTPL) – Singapore: (IPG share 15% - Associate Company)

HSTPL owns and operates an independent petroleum storage terminal with a storage capacity of 1.2 Million cbm and four jetties at a capital cost of US$ 299 Million.

Other Shareholders are:

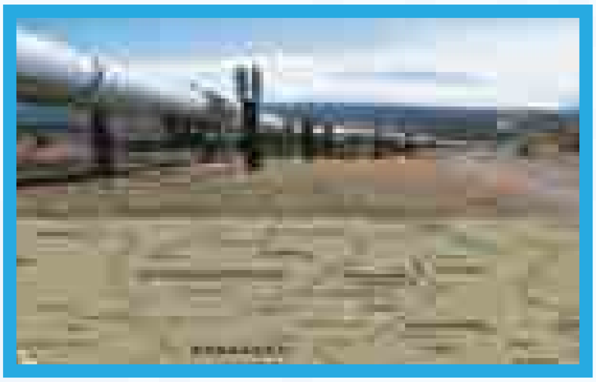
- HTL – Horizon Terminals Limited
- SK – South Korea Energy Asia Pte. Limited
- BIL – Boreh International Limited
- MBV – Martank BV

8 Asia Petroleum Limited (APL) – Pakistan: (IPG share 12.5% - Associate Company)

APL owns and operates a petroleum products pipeline (including pumping station and storage) in Pakistan. The pipeline runs from Zulfiqarabad terminal at Pipri, Karachi to Hub, Baluchistan to transport Fuel Oil for HUBCO Power Plant. The facility was constructed at a total capital cost of US$ 100 Million.

Other Shareholders are:

- PSO – Pakistan State Oil
- AIL – Asia Infrastructure Ltd of Singapore
- VECO – VECO International of USA

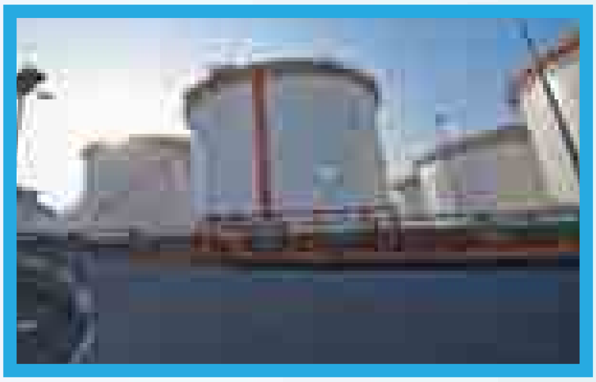


9 Vopak Horizon Fujairah Limited (VHFL) – UAE: (IPG share 11.11% - Associate Company)

VHFL owns and operates an independent petroleum products storage terminal in Fujairah with a storage capacity of 2.1 Million cbm including marine facilities with 4 berths and one single point mooring (SPM), at a total capital cost of US$ 414 Million.

Other Shareholders are:

- VOPAK – VOPAK Oil Logistics Europe & Middle East B.V. of Netherlands
- HTL – Horizon Terminals Limited
- The Government of Fujairah



Financial Highlights

	2007	2008	2009	2010	2011	2012	2013
Sales (KD Million)	679	1337	939	1041	1380	1080	**1251**
Gross Margin (%)	1.4%	1.5%	0.8%	0.6%	0.1%	0.8%	**0.7%**
Operating Profit (KD Million)	2.2	9.7	1.3	0.5	-4.3	3.3	**2.0**
Net Profit (KD Million)	6.7	5.6	6.0	4.5	-6.1	5.8	**6.1**
Earning Per share (Fils)	44.5	37.8	41.43	31.03	-41.89	40.35	**42.00**
Price Earning (Times)	10.00	9.64	10.26	14.66	-	8.67	**9.40**
Book value (Fils)	384	392	423	463	489	552	**567**
Cash Dividend (%)	30%	30%	30%	30%	-	30%	**30%**
Dividend Yield (%)	6.7%	8.2%	7.1%	6.6%	-	8.6%	**7.6%**
Total Assets (KD Million)	242.1	197.7	303.8	309.3	424.7	375.2	**342.9**
Shareholders' Equity (KD Million)	57.3	57.2	61.2	66.9	70.7	79.8	**82.0**
Return on Average Equity (%)	12%	10%	10%	7%	-9%	8%	**8%**
Return on Average Capital Employed (%)	8.6%	7.5%	4.6%	3.1%	-1.0%	3.9%	**3.9%**

Independent Auditor's Report
and
Consolidated Financial Statement

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RSM Albazie & Co.
Public Accountants

Independent auditors' report

The Shareholders
Independent Petroleum Group Company S.A.K. (Closed)
State of Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Independent Petroleum Group Company S.A.K. (Closed) ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on

KPMG

RSM Albazie & Co.
Public Accountants

the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No 25 of 2012 as amended and the Parent Company's Articles of Association. In our opinion, proper books of account have been kept by the Parent Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account. According to the information available to us, there was no contravention during the year ended 31 December 2013, of the Companies Law No 25 of 2012 as amended or of the Parent Company's Articles and Memorandum of Association that might have had a material effect on the Group's activities or on its consolidated financial position.

Safi A. Al-Mutawa
License No. 138-A
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Nayef M. Al Bazie
License No 91-A
RSM Albazie & Co.

Kuwait: 4 February 2014

Consolidated statement of financial position
As at 31 December 2013

	Notes	2013 KD'000	2012 KD'000
ASSETS			
Current assets			
Cash on hand and at banks	4	**60,483**	32,456
Investments at fair value through statement of income	5	**46,347**	42,627
Trade and other receivables	6	**118,615**	160,526
Inventories		**44,596**	66,089
Total current assets		**270,041**	301,698
Non-current assets			
Other loans	7	**1,174**	2,149
Investments available for sale	5	**26,643**	26,769
Investment in joint venture	8	**3,784**	4,068
Investment in associates	9	**23,017**	21,155
Property and equipment	10	**18,270**	19,387
Total non-current assets		**72,888**	73,528
Total assets		**342,929**	375,226
LIABILITIES AND EQUITY			
Current liabilities			
Due to banks	11	**163,308**	202,921
Directors' fees payable		**80**	100
Trade and other payables	12	**87,551**	81,201
Current portion of term loan	13	**1,021**	1,018
Total current liabilities		**251,960**	285,240
Non-current liabilities			
Non-current portion of term loan	13	**7,161**	8,413
Provision for staff indemnity	14	**1,824**	1,801
Total non-current liabilities		**8,985**	10,214
Total liabilities		**260,945**	295,454
Equity			
Share capital	15	**15,225**	15,225
Share premium		**22,587**	22,587
Legal reserve	16	**7,613**	7,152
General reserve	17	**606**	606
Fair value reserve	5	**24,102**	23,839
Share of associates' hedging reserve		**(101)**	(191)
Foreign currency translation adjustments		**(1,995)**	(2,117)
Treasury shares reserve		**1,429**	1,429
Treasury shares	18	**(2,770)**	(2,770)
Retained earnings		**15,288**	14,012
Total equity		**81,984**	79,772
Total liabilities and equity		**342,929**	375,226

The notes set out on pages 25 to 54 form an integral part of these consolidated financial statements.

Khalaf Ahmad Al-Khalaf	Ghazi Fahad Al-Nafisi	Waleed Jaber Hadeed
Chairman	*Vice Chairman*	*Executive Managing Director*

Consolidated statement of income

For the year ended 31 December 2013

	Notes	2013 KD'000	2012 KD'000
Sales		**1,250,655**	1,079,973
Cost of sales		**(1,241,743)**	(1,071,755)
Gross profit		**8,912**	8,218
Net interest relating to oil marketing operations	19	**(4,521)**	(1,150)
Net results of oil marketing operations		**4,391**	7,068
Share in results of associates and joint venture	20	**4,615**	3,763
General and administrative expenses		**(1,487)**	(2,201)
Staff costs		**(4,042)**	(3,665)
Depreciation	10	**(1,492)**	(1,630)
Operating profit		**1,985**	3,335
Investment income	21	**4,596**	2,964
Other expense	22	**(370)**	(309)
Profit for the year before provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' fees		**6,211**	5,990
Contribution to KFAS	23	**(56)**	(54)
Provision for NLST	24	**-**	-
Provision for Zakat	23	**-**	-
Directors' fees		**(80)**	(100)
Profit for the year		**6,075**	5,836
Earnings per share (fils)	25	**42.00**	40.35

The notes set out on pages 25 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	2013	2012
	KD'000	KD'000
Profit for the year	**6,075**	5,836
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of investments available for sale	**263**	2,248
Movement in share of associates' hedging reserve	**90**	72
Foreign currency translation adjustments	**122**	895
Other comprehensive income for the year	**475**	3,215
Total comprehensive income for the year	**6,550**	9,051

The notes set out on pages 25 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital KD'000	Share premium KD'000	Legal reserve KD'000	General reserve KD'000	Fair value reserve KD'000	Share of associates' hedging reserve KD'000	Foreign currency translation adjustments KD'000	Treasury shares reserve KD'000	Treasury shares KD'000	Retained earnings KD'000	Total KD'000
Balance at 1 January 2012	15,225	22,587	6,553	606	21,591	(263)	(3,012)	1,429	(2,770)	8,775	70,721
Total comprehensive income for the year	-	-	-	-	2,248	72	895	-	-	5,836	9,051
Transfer to reserve	-	-	599	-	-	-	-	-	-	(599)	-
Balance at 31 December 2012	15,225	22,587	7,152	606	23,839	(191)	(2,117)	1,429	(2,770)	14,012	79,772
Total comprehensive income for the year	-	-	-	-	263	90	122	-	-	6,075	6,550
Transfer to reserve	-	-	461	-	-	-	-	-	-	(461)	-
Dividends for 2012 (Note 27)	-	-	-	-	-	-	-	-	-	(4,338)	(4,338)
Balance at 31 December 2013	15,225	22,587	7,613	606	24,102	(101)	(1,995)	1,429	(2,770)	15,288	81,984

The notes set out on pages 25 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of Cash flows

For the year ended 31 December 2013

	Notes	2013 KD'000	2012 KD'000
Cash flows from operating activities			
Profit for the year before provisions for contribution to KFAS, NLST, Zakat and Directors' fees		**6,211**	5,990
Adjustments for:			
Interest expense	19	**4,550**	5,319
Share in results of associates and joint venture		**(4,615)**	(3,763)
Provision for staff indemnity	14	**382**	236
Depreciation	10	**1,492**	1,630
Investment income	21	**(4,596)**	(2,964)
Interest income		**(86)**	(4,360)
		3,338	2,088
Changes in operating assets and liabilities:			
- Trade and other receivables		**41,865**	45,933
- Inventories		**21,493**	13,254
- Trade and other payables		**6,379**	(64,994)
Cash generated from / (used in) operations		**73,075**	(3,719)
Payment of staff indemnity	14	**(359)**	(455)
Interest received		**132**	4,626
Payment to KFAS		**(54)**	-
Directors' fees paid		**(100)**	-
Net cash generated from operating activities		**72,694**	452
Cash flows from investing activities			
Time deposits		**930**	(377)
Other loans		**975**	1,041
Investments available for sale		**530**	-
Investment in associates	9	**-**	(1,716)
Purchase of property and equipment	10	**(577)**	(40)
Proceeds from disposal of property and equipment		**-**	1,038
Dividends received		**3,963**	2,799
Net cash generated from investing activities		**5,821**	2,745
Cash flows from financing activities			
Due to banks		**(39,613)**	6,912
Term loan		**(1,249)**	(665)
Dividends paid		**(4,338)**	-
Interest paid		**(4,581)**	(4,993)
Net cash (used in) / generated from financing activities		**(49,781)**	1,254
Effect of foreign currency translation		**223**	489
Net increase in cash and cash equivalents		**28,957**	4,940
Cash and cash equivalents at beginning of the year		**31,314**	26,374
Cash and cash equivalents at end of the year	4	**60,271**	31,314

The notes set out on pages 25 to 54 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2013

1. Formation and activities

Independent Petroleum Group Company S.A.K. ("the Parent Company") was established on 11 September 1976 as a Kuwaiti Shareholding Company. The Parent Company was listed on the Kuwait Stock Exchange on 10 December 1995.

The main activities of the Parent Company and its subsidiaries ("the Group") are the trading of crude oil and petroleum products, strategic investments and joint ventures in petroleum storage facilities, terminal and distribution facilities, other activities related to the petroleum industry and consulting services in the petroleum and petrochemical fields, ownership of vessels, ship chartering and other ancillary services.

The registered address of the Parent Company is P.O. Box 24027, Safat 13101, State of Kuwait.

The Companies Law was issued on November 26, 2012 by the Decree No. 25 of 2012 (the "Companies Law"), and had cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended by the Law No. 97 of 2013. The Executive Charter of the new amended law was issued on September 29, 2013 and was published in the Official Gazette on October 6, 2013. As stated in Article No. (3) of the Executive Charter, all companies have a grace period of one year from the Executive Charter's publication date to comply with the new amended law requirements.

These consolidated financial statements were authorized for issue by the Board of Directors on 4 February, 2014. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, except for the following items that are stated at their fair value.

- Investments at fair value through statement of income
- Investments available for sale
- Derivative financial assets and liabilities
- Inventories

The consolidated financial statements are presented rounded to the nearest thousand Kuwaiti Dinars ("KD'000"), which is the Parent Company's presentation currency. The functional currency of the Group is the US Dollars ("USD").

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards effective as of 1 January 2013:

Notes to the consolidated financial statements

For the year ended 31 December 2013

IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories

a) Items that will not be reclassified, subsequently to consolidated statement of income and
b) Items that may be reclassified to consolidated statement of income when specific conditions are met. The amendments are effective for annual periods beginning on or after July 1, 2012.

IFRS 10 Consolidated Financial Statements

The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. This standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

The new Standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures:

a) In a joint operation, parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in the joint operation
b) In a joint venture, parties have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of 'proportionate consolidation' is not permitted.

IFRS 11 is effective for annual periods beginning on or after 1 January 2013.

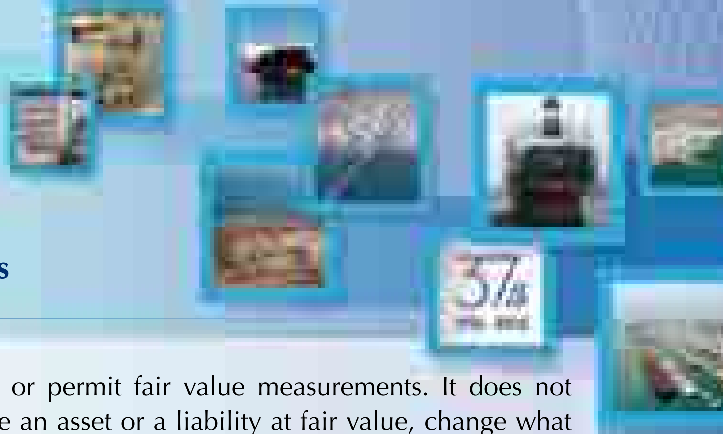
IFRS 12 Disclosure of Interests in Other Entities

The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. IFRS 12 is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

This IFRS

a) defines fair value
b) sets out in a single IFRS a framework for measuring fair value and
c) requires disclosures about fair value measurements.



IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Offsetting financial assets and financial liabilities and related disclosures

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investments in associates and joint ventures.

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in other entities IAS 28 Investments in Associates has been renamed IAS 28 Investments in Associates and Joint Ventures and describes the application of the equity method to investments in Joint Ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after January 1, 2013.

The above mentioned amendments did not have any significant impact on the consolidated financial position or performance of the Group for the year ended 31 December 2013.

b) <u>Standards and Interpretations issued but not effective</u>

New standards issued but not effective for the financial year beginning 1 January 2013 and not early adopted by the Group:

• Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	Effective for annual periods beginning on or after 1 January 2014
• IFRS 9 Financial Instruments: Classification and Measurement	Earlier effective for annual periods beginning on or after 1 January 2015 and now deferred
• Amendments to IFRS 10: Consolidated Financial Statements	Effective for annual periods beginning on or after 1 January 2014
• Amendments to IFRS 12 for Investment Entities	Effective for annual periods beginning on or after 1 January 2014

The Management anticipates that the adoption of these standards once they become effective in future periods will have no significant financial impact on the consolidated financial statements of the Group in the period of initial application.

c) **Basis of consolidation**

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (see below). Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has power over the investee; is exposed, or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings as appropriate.

Details of the Parent Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Ownership interest 2013	Ownership interest 2012	Principal activity
Independent Petroleum Group Limited	Bahamas	100%	100%	Trading of crude oil and petroleum products
Independent Petroleum Group of Kuwait Limited.	United Kingdom	100%	100%	Representative office
Independent Petroleum Group (Asia) Pte. Limited.	Singapore	100%	100%	Trading of crude oil and petroleum products
Independent Petroleum Group (Southern Africa) (Pty) Limited.	South Africa	100%	100%	Representative office
D&K Holdings L.L.C.	United Arab Emirates	100%	100%	Holding Company for subsidiaries in shipping

d) **Financial instruments**

Financial assets and financial liabilities carried in the consolidated statement of financial position include cash on hand and at banks, investments at fair value through statement of income, trade receivables, other loans, investments available for sale, derivative financial instruments, due to banks, trade payables and term loans.

Financial instruments are classified on initial recognition as financial assets, financial liabilities or equity in accordance with the substance of the contractual arrangement. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

i. Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts with banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

ii. Trade receivables and loans

Trade receivables and loans are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of income when there is objective evidence that the asset is impaired.

iii. Investments

Investment at fair value through statement of income

Investments at fair value through statement of income are initially recognised at cost being the fair value, excluding transaction costs. These investments are either "held for trading" or "designated at fair value through statement of income".

Held for trading investments are acquired principally for the purpose of selling or repurchasing in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Investments designated at fair value through statement of income are investments which are designated as investments at fair value through statement of income on initial recognition.

After initial recognition, investments at fair value through statement of income are remeasured at fair value. Gains or losses arising either from the sale of or changes in fair value of investments at fair value through statement of income are recognised in the consolidated statement of income.

Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments available for sale are initially recognised at fair value plus transaction costs. After initial recognition, investments available for sale are remeasured at fair value, except for investments in unquoted securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost. Unrealized gain or loss on remeasurement of investments available for sale to fair value is recognized directly in other comprehensive income in the fair value reserve account until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in the fair value reserve is included in the consolidated statement of income.

Trade date and settlement date accounting

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date the Group commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within a time frame generally established by regulation or convention in the market place concerned.

Fair value

For investments traded in active financial markets, fair value is determined by reference to quoted current bid prices at the close of business on the reporting date. For other investments, the fair value is derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method, or other relevant valuation techniques used by market participants.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment may include:
a) significant financial difficulty of the issuer or counterparty; or
b) default or delinquency in interest or principal payments; or
c) it becomes probable that the counterparty will enter bankruptcy or financial re-organisation; or
d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the specified credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Impairment losses are recognized in the consolidated statement of income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income.

With the exception of equity investments available for sale, 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, the previously recognised impairment loss is reversed through the consolidated statement of income.

In respect of equity investments available for sale, impairment losses previously recognised through the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Derecognition

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

iv. Bank borrowings

Bank borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

v. Payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

vi. Derivatives

In the normal course of business, the Group enters into commodity swap and future contracts. These derivatives are initially recognized as an asset or liability on the commitment date. These contracts are treated as derivatives held for trading purposes, do not qualify for hedge accounting and are stated and subsequently remeasured to fair value with any resultant gain or loss recognized in the consolidated statement of income.

Notes to the consolidated financial statements

For the year ended 31 December 2013

e) **Inventory**

Inventory of oil and petroleum products is valued at fair value less cost to sell. Any changes arising on the revaluation of inventories are recognised in the consolidated statement of income.

f) **Investment in joint venture**

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Long term subordinated loans provided by the Group to the joint venture are accounted as part of the investment.

The results and assets and liabilities of joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investment in joint venture is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of an joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any goodwill arising on the acquisition of the Group's interest in a joint venture is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of an associate.

Where the Group transacts with its joint venture, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Upon loss of joint control, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former joint venture upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognized in consolidated statement of income.

g) **Investment in associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group transacts with its associate, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

h) <u>Property and equipment</u>

Property and equipment except freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use.

Depreciation is calculated based on the estimated useful lives of the applicable assets. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets (including improvements to leasehold property) are capitalised.

Freehold land is carried at cost and is not depreciated. Other assets are depreciated on straight line basis as follows:

Buildings	20 years
Vessels	16 - 25 years
Furniture, equipment and computer software	3 - 5 years
Motor Vehicles	5 years
Leasehold improvements	Shorter of useful life of assets lease period

The estimated useful lives, residual values and depreciation methods are reviewed at each date of statement of financial position, with the effect of any changes in estimate accounted for on prospective basis.

Properties in the course of construction for administrative or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

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 (Note 2(n)).

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

i) Provision for staff indemnity

The Group is liable to make defined contribution to State Plans and lump sum payments under defined benefits plans to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed. The benefit plan is unfunded and is computed as the amount payable to employees as a result of involuntary termination on the statement of financial position date. This basis is considered to be reliable approximation of the present value of the final obligation.

j) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves and then to share premium. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve. No cash dividends are paid on these shares. Any issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

k) Foreign currencies

Foreign currency transactions are translated to the functional currency (USD) at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies outstanding at the year-end are retranslated into USD at the rates of exchange prevailing at the reporting date. Any resultant gains or losses are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not subsequently retranslated. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in USD, which is the functional currency of the Parent Company. The presentation currency for the consolidated financial statements is the Kuwaiti Dinar (KD).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve. Such exchange differences are recognized in the consolidated statement of income in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.

l) **Revenue recognition**

Revenue from sales is recognized when delivery has taken place and transfer of risks and rewards has been completed.

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

Dividend income is recognised when the right to receive payment is established.

Other revenues and expenses are recorded on an accrual basis.

m) **Borrowing costs**

Borrowing 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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest on other borrowings is calculated on an accrual basis and is recognised in the consolidated statement of income in the period in which it is incurred.

n) **Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of income.

o) **Provision**

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

p) **Contingencies**

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

q) **Segment reporting**

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

3. Critical judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Parent Company's management is required to make judgements, 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 recognised 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.

a) Critical judgments in applying accounting policies

The following are the critical judgements, 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 recognised in the consolidated financial statements.

(i) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

(iii) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. All other investments other than investment in subsidiaries, associates and joint venture are classified as "available for sale".

(iv) Impairment of investments

The Group treats investments "available for sale" as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment.

(v) Useful lives of property and equipment

The cost of property and equipment is depreciated over the estimated useful life of the asset. The estimated useful life is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors.

(vi) Impairment of property and equipment

The Group determines whether the vessel is impaired at least annually by obtaining estimates of fair value from independent valuers. Where the fair value less selling cost is lower than vessel carrying values, the estimation of recoverable value further requires an estimation of the value in use of the vessel. Estimating the value in use requires management to make an estimate of the expected future cash flows and remaining useful life of the vessel and to choose a suitable discount rate in order to calculate the present value of those cash flows.

(vii) Residual value of the vessels

The residual value of the vessels is determined based on the estimations performed by the D&K's technical department. The estimates are calculated using the deadweight of the vessels multiplied by management's estimate of the scrap steel rate, which is partly based on the age of the vessels and quality of the steel.

b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the consolidated statement of financial position 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:

(i) Sales, cost of sales and inventory

Where the sales and purchase transactions are based on forward pricing, the sales, cost of sales and inventory is estimated with reference to the closing commodity price quote (Platts) in the commodity exchange in accordance with the terms of the contract.

(ii) Allowance for doubtful debts

The extent of allowance for doubtful debts involves a number of estimates made by the management. Allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The allowances and write-down of receivables is subject to management approval.

(iii) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group estimates fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

4 Cash on hand and at banks

	2013	2012
	KD'000	KD'000
Cash on hand and at banks	**20,799**	2,975
Call accounts and time deposits	**39,472**	28,339
Cash and cash equivalents	**60,271**	31,314
Time deposits with maturity exceeding three months	**212**	1,142
	60,483	32,456

Time deposits earned interest at an average effective interest rate of 0.25% (2012: 0.25%) per annum and mature within 3 to 6 months (2012: 3 to 6 months) from the date of the deposit.

5. Investments

	2013	2012
	KD'000	KD'000
Investments at fair value through statement of income:		
Held for trading:		
Managed portfolios	**45,047**	41,391
Securities	**1,300**	1,236
	46,347	42,627
Investments available for sale:		
Quoted securities	**210**	162
Unquoted securities	**26,433**	26,607
	26,643	26,769

Investments at fair value through statement of income with a carrying amount of KD 45.05 million (2012: KD 41.39 million) are pledged as collateral against amounts due to banks (Note 11).

During the year, the Group has fair valued its investment in Vopak Horizon Fujairah Limited (VHFL) (unquoted security), consequently, a sum of KD 0.28 million (2012: KD 2.26 million) has been recognized under fair value reserve in equity through the statement of comprehensive income for changes in fair value of investments available for sale. Accordingly, unquoted securities include investment of 11.1% in VHFL carried at fair value of KD 25.29 million (2012: KD 25.47 million). The fair value was based on discounted cash flows using a rate based on the risk free rate of 2.8% (2012: 1.8%) and the risk premium of 6.7% (2012: 8%) specific to the investment.

The unquoted securities also include an investment of 12.5% in Asia Petroleum Ltd. carried at cost of KD 1.14 million (2012: KD 1.14 million) as it was not possible to reliably measure the fair value since there is no access to relevant information; accordingly this is stated at cost.

6. Trade and other receivables

	2013	2012
	KD'000	KD'000
Trade receivables	**117,258**	159,424
Prepaid expenses	**750**	545
Refundable deposits and taxes	**29**	27
Others	**578**	530
	118,615	160,526

The Group's credit period varies from customer to customer. Trade receivables are short term in nature and carry interest rates on commercial terms. A significant portion of trade receivables are due within three months from the reporting date.

7. Other loans

	2013	2012
	KD'000	KD'000
Inpetro SARL	**497**	1,474
Arabtank Terminals Limited	**660**	658
Others	**17**	17
	1,174	2,149

The Group has provided a long-term subordinated loan to Arabtank Terminals Ltd., Kingdom of Saudi Arabia.

The interest rates for the above loans vary from 0% to 8% (2012: 0% to 8%) per annum for loans given at fixed interest rates and 3.5% (2012: 3.5%) over three months LIBOR for loans given at floating interest rates.

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8. Investment in joint venture

	2013	2012
	KD'000	KD'000
Uniterminals S.A.L., Lebanon	**3,784**	4,068

Uniterminals S.A.L.

The Group has a 50% equity shareholding with equivalent voting power in Uniterminals Ltd, Lebanon.

The Group's share in the net assets and results of Uniterminals S.A.L., Lebanon included in these consolidated financial statements was based on the audited financial statements for the year ended 31 December.

The following table illustrates summarised financial information of the Group's investment in its joint venuture:

	2013 KD'000	2012 KD'000
Current assets	**50,194**	65,340
Non-current assets	**5,656**	5,668
Current liabilities	**(47,664)**	(62,318)
Non-current liabilities	**(618)**	(554)
Net assets	**7,568**	8,136
Group's share of net assets	**3,784**	4,068
Operating profit	**1,720**	2,592
Loan interest and other expenses	**(380)**	(360)
Profit for the year	**1,340**	2,232
Group's share of profit for the year (Note 20)	**670**	1,116

Dividends received from the Joint Venture during the year amounts to KD 962 thousands (2012: KD 886 thousands).

9. Investment in associates

	Location	**Percentage of ownership**	**2013 KD'000**	2012 KD'000
Inpetro SARL	Mozambique	40 %	**953**	1,076
ArabTank Terminals Ltd., (ATT)	Kingdom of Saudi Arabia	36.5%	**3,767**	3,379
Horizon Djibouti Holdings Ltd. (HDHL)	Djibouti	22.22%	**5,335**	4,589
Horizon Singapore Terminals Private Ltd., (HSTPL)	Singapore	15%	**6,422**	6,109
Horizon Tangiers Terminals SA. (HTTSA)	Morocco	32.5%	**6,540**	6,002
			23,017	21,155

Inpetro SARL

The Group's investment in Inpetro SARL represents an investment in a petroleum storage terminal. The Group's share in the net assets and results of Inpetro SARL was based on the audited financial statements for the nine month period ended 30 September 2013 (2012: for the nine month period ended 30 September 2012) and management accounts for the three month period ended 31 December 2013 (2012: for the three month period ended 31 December 2012).

	2013	2012
	KD'000	KD'000
Total assets	**2,244**	2,428
Total liabilities	**(1,291)**	(1,352)
Net assets	**953**	1,076
Operating income	**953**	801
Operating expenses	**(725)**	(661)
Profit for the year (Note 20)	**228**	140

ArabTank Terminals Ltd., (ATT)

The Group's investment in ATT represents its share of investment in the first phase of the project towards chemical product storage facilities and its share in the second phase of the project towards petroleum product storage facilities.

The Group's share in the net assets and results of ATT included in the consolidated financial statements was based on the audited financial statements for the year ended 31 December and was as follows:

	2013	2012
	KD'000	KD'000
Total assets	**6,869**	7,393
Current liabilities	**(1,240)**	(1,178)
Long-term debt	**(1,862)**	(2,836)
Net assets	**3,767**	3,379
Operating income	**1,219**	1,209
Operating expenses	**(839)**	(802)
Profit for the year (Note 20)	**380**	407

Horizon Djibouti Holdings Ltd ("HDHL")

The Group's investment in HDHL represents an investment in a petroleum storage terminal. The Group's share in the net assets and results of HDHL included in the consolidated financial statements was based on the audited financial statements for the year ended 31 December and was as follows:

	2013 KD'000	2012 KD'000
Total assets	**6,957**	6,493
Total liabilities	**(1,622)**	(1,904)
Net assets	**5,335**	4,589
Operating income	**1,625**	1,670
Operating expenses	**(887)**	(808)
Profit for the year (Note 20)	**738**	862

Horizon Singapore Terminals Private Ltd., ("HSTPL")

The Group's investment in HSTPL represents 15% share in the issued and paid-up share capital. As per the shareholders' agreement dated 29 March 2005, all commercial, technical and operating policy decisions require the approval of shareholders together holding not less than 86% of the issued share capital of the investee company. On this basis the Group has significant influence but not overall control over the financial and operating policy decisions of the investee company. The Group's share in the net assets and results of HSTPL, included in the consolidated financial statements was based on the audited financial statements for the year ended 31 December and was as follows:

	2013 KD'000	2012 KD'000
Total assets	**13,270**	14,161
Total liabilities	**(6,848)**	(8,052)
Net assets	**6,422**	6,109
Operating income	**4,290**	4,010
Operating expenses	**(2,215)**	(2,173)
Profit for the year (Note 20)	**2,075**	1,837

Horizon Tangiers Terminals SA. ("HTTSA")

The Group's Investment in HTTSA represents an Investment in a petroleum storage terminal. The Group's share in the net assets and results of HTSSA, included in the consolidated financial statements was based on the audited financial statements for the year ended 31 December and was as follows:

	2013 KD'000	2012 KD'000
Total assets	**14,751**	15,431
Total liabilities	**(8,211)**	(9,429)
Net assets	**6,540**	6,002
Operating income	**2,547**	1,168
Operating expenses	**(2,023)**	(1,767)
Profit / (loss) for the year (Note 20)	**524**	(599)

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Summarised financial information of the above associates as per their financial statements as of 31 December 2013 is as follows:

	2013	2012
	KD'000	KD'000
Current assets	**27,524**	26,664
Non-current assets	**165,551**	173,055
Current liabilities	**(22,509)**	(24,587)
Non-current liabilities	**(68,249)**	(81,048)
Net assets	**102,317**	94,084
Operating income	**50,285**	43,992
Operating expenses	**(29,538)**	(27,814)
Profit for the year	**20,747**	16,178

Dividends received from associates' during the year amount to KD 2.03 million (2012: KD 1.62 million).

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10. Property and equipment

	Freehold Land KD'000	Buildings KD'000	Vessels KD'000	Furniture, equipment and computer software KD'000	Motor vehicles KD'000	Leasehold improvements KD'000	Total KD'000
Cost							
As at 1 January 2012	544	1,692	30,927	1,055	131	57	34,406
Addition	-	-	29	11	-	-	40
Disposals	-	-	(6,086)	-	-	-	(6,086)
Currency translation effects	-	-	(287)	-	-	-	(287)
As at 31 December 2012	544	1,692	24,583	1,066	131	57	28,073
Additions	-	-	566	11	-	-	577
Currency translation effects	-	-	(165)	(37)	-	-	(202)
As at 31 December 2013	544	1,692	24,984	1,040	131	57	28,448
Accumulated depreciation							
As at 1 January 2012	-	941	10,201	697	72	57	11,968
Charge for the year	-	40	1,497	76	17	-	1,630
Disposals	-	-	(4,912)	-	-	-	(4,912)
As at 31 December 2012	-	981	6,786	773	89	57	8,686
Charge for the year	-	40	1,331	103	18	-	1,492
As at 31 December 2013	-	1,021	8,117	876	107	57	10,178
Carrying amount							
As at 31 December 2013	544	671	16,867	164	24	-	18,270
As at 31 December 2012	544	711	17,797	293	42	-	19,387

The vessels have been collaterised for the term loan (Note 13).

11. Due to banks

Due to banks represents the credit facilities in KD and USD provided by the Group's banks. These facilities carry an average interest rate of 2.2% (2012: 2.2%) per annum. Due to banks are partially secured by investments at fair value through statement of income with a carrying amount of KD 45.05 million (2012: KD 41.39 million) (Note 5).

12. Trade and other payables

	2013	2012
	KD'000	KD'000
Trade payables	**74,893**	62,191
Accrued expenses	**9,404**	14,360
Accrued staff leave	**483**	449
Provision for KFAS	**56**	54
Others	**2,715**	4,147
	87,551	81,201

13. Term loan

The term loan relates to the financing of two vessels acquired through DKHL (a subsidiary). The term loan is denominated in USD and is secured by the mortgage of the vessels and carries interest ranging from 1.75% to 5.32% (2012: 1.75% to 5.32%) per annum.

14. Provision for staff indemnity

	2013	2012
	KD'000	KD'000
Balance at beginning of the year	**1,801**	2,020
Charge for the year	**382**	236
Payments made during the year	**(359)**	(455)
Balance at end of the year	**1,824**	1,801

15. Share capital

The authorised, issued and fully paid up share capital consists of 152,250,000 shares of 100 fils each (2012: 152,250,000 shares of 100 fils each).

16. Legal reserve

As per the Kuwait Companies' Law and the Parent Company's Articles of Association, 10% of the profit for the year before provisions for contribution to KFAS, NLST, Zakat and Directors' fees is required to be transferred to the legal reserve. However, the Parent Company has resolved not to increase the legal reserve above an amount equal to 50% of its paid up share capital. Accordingly the transfer to legal reserve, which is less than 10% of the profit for the year, is that amount required to raise the reserve to 50% of paid up share capital.

Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of the paid up share capital in years when retained earnings are not sufficient for payment of such dividends.

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17. General reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year before provisions for contribution to KFAS, NLST, Zakat and Directors' fees is to be transferred to the general reserve. The transfer was discontinued by an ordinary resolution adopted in the general assembly as recommended by the Board of Directors. There are no restrictions on distributions from the general reserve.

18. Treasury shares

	2013	2012
Number of shares	**7,620,000**	7,620,000
Percentage of issued shares	**5.0%**	5.0%
Market value (KD million)	**3.01**	2.59
Cost (KD million)	**2.77**	2.77

Based on Capital Markets Authority resolution dated 30 December 2013, the Parent Company has allotted an amount equal to the treasury shares balance from the available retained earnings as of 31 December 2013. Such amount will not be available for distribution during treasury shares holding period.

19. Net interest relating to oil marketing operations

	2013 KD'000	2012 KD'000
Interest income	**29**	4,169
Interest expense	**(4,550)**	(5,319)
	(4,521)	(1,150)

20. Share in results of associates and joint venture

	2013 KD'000	2012 KD'000
Inpetro SARL (Note 9)	**228**	140
Arabtank Terminals Ltd. (Note 9)	**380**	407
Horizon Djibouti Holdings Ltd (Note 9)	**738**	862
Horizon Singapore Terminals Private Ltd., (Note 9)	**2,075**	1,837
Horizon Tangiers Terminals (Note 9)	**524**	(599)
Uniterminals S.A.L. (Note 8)	**670**	1,116
	4,615	3,763

21. Investment income

	2013 KD'000	2012 KD'000
Unrealised gain from investments at fair value through statement of income	**3,620**	2,669
Dividend income	**976**	295
	4,596	2,964

22. Other expense

	2013	2012
	KD'000	KD'000
Reimbursement of legal fees awarded	**-**	801
Net foreign exchange loss	**(472)**	(450)
Interest income related to project	**57**	191
Miscellaneous income / (expenses)	**45**	(851)
	(370)	(309)

23. Contribution to KFAS and provision for Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Group after deducting its share of income from Kuwaiti shareholding subsidiaries and associates and transfer to legal reserve.

Provision for Zakat is calculated at 1% of the profit of the Parent Company after deducting its share of income from Kuwaiti shareholding subsidiaries and associates in accordance with Law No 46/2006 and Ministry of Finance resolution No. 58/2007 and their executive regulations. Zakat has not been provided, since there was no profit for the Parent Company on which Zakat could be calculated.

24. Provision for NLST

During 2006, the Group filed a suit against the Ministry of Finance contesting their claim for additional amount of KD 442 thousands towards NLST for the year from 2001 to 2004. This claim represents difference between NLST computed on the annual consolidated profit of the Group and that based on annual profit of the Parent Company.

A judgement was granted in favour of the Group in the suit filed as mentioned above. Accordingly, the Group continued to calculate NLST based on the annual profit of the Parent Company for the years from 2005 to 2013. The Group continued with their claim against the ministry for the outstanding amount.

NLST has not been provided, since there was no profit for the Parent Company on which NLST could be calculated.

25. Earnings per share

Earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2013	2012
Profit for the year (KD'000)	**6,075**	5,836
Weighted average number of issued shares outstanding	**152,250,000**	152,250,000
Weighted average number of treasury shares outstanding	**(7,620,000)**	(7,620,000)
Weighted average number of shares outstanding	**144,630,000**	144,630,000
Earnings per share (fils)	**42.00**	40.35

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26. Proposed dividends

The Board of Directors propose a cash dividend of 30 fils per share for the year ended 31 December 2013 (2012: 30 fils per share). This proposal is subject to the approval of the Shareholders' Annual General Assembly.

27. Annual general assembly

The Shareholders' Annual General Assembly held on 24 March 2013 approved the annual audited consolidated financial statements for the year ended 31 December 2012 and dividends were declared for the year ended 31 December 2012 at 30 fils per share (2011: Nil).

28. Related party transactions and balances

These represent transactions with the related parties in the normal course of business. The terms of these transactions are on negotiated contract basis.

Related parties primarily comprise the Parent Company's major shareholders, directors, subsidiaries, associates, joint venture, key management personnel and their close family members.

The related party transactions and balances included in the consolidated financial statements are as follows:

		Joint Venture KD'000	Associates KD'000	Other related parties KD'000	Total 2013 KD'000	Total 2012 KD'000
1.	**Revenues:**					
	Sales	258,737	-	-	**258,737**	242,685
	Storage expense	-	5,539	-	**5,539**	5,668

		Joint Venture KD'000	Associates KD'000	Other related parties KD'000	Total 2013 KD'000	Total 2012 KD'000
2.	**Due from / to related parties:**					
	Trade and other receivables	81	5	-	**86**	19,022
	Trade and other payables	1	346	-	**347**	2,032
	Others and short-term loans	-	1,174	-	**1,174**	2,149

		2013 KD'000	2012 KD'000
3.	**Key management compensation**		
	Salaries and other short-term benefits	**665**	777
	Terminal benefits	**97**	76
		762	853

29. Segment information

The Group primarily operates in the trading of crude oil and petroleum products. The trading of crude oil and petroleum products is also related to storage and distribution operations. These operations are inter-related and subject to similar risks and returns. The management has determined that the Group is considered to have a single reportable operating segment. The Group operates in different geographic locations. Information about the Group's reportable operating segment is summarised as follows:

	2013				2012			
	Africa and Middle East	**Europe and South America**	**Asia and Far East**	**Total**	Africa and Middle East	Europe and South America	Asia and Far East	Total
	KD'000	**KD'000**	**KD'000**	**KD'000**	KD'000	KD'000	KD'000	KD'000
Sales	1,240,569	-	10,086	1,250,655	976,781	17,104	86,088	1,079,973
Segment result	6,934	-	2,072	9,006	8,827	(28)	2,032	10,831
Unallocated corporate expenses				(7,021)				(7,496)
Operating profit				1,985				3,335
Other information:								
Segment assets	118,615	-	-	118,615	160,526	-	-	160,526
Unallocated corporate assets				224,314				214,700
Total assets				342,929				375,226
Segment liabilities	74,893	-	-	74,893	45,532	16,659	-	62,191
Unallocated corporate liabilities				186,052				233,263
Total liabilities				260,945				295,454

Depreciation, capital expenditure and non-cash expenses are mainly related to unallocated corporate assets.

The results of the Group's associates and joint venture are included in the Africa and Middle East segment and Asia and Far East segment.

30. Financial Instruments and risk management

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 2 to these consolidated financial statements.

Categories of financial instruments

	2013 KD'000	2012 KD'000
Financial assets		
Cash on hand and at banks	**60,483**	32,456
Investments at fair value through statement of income	**46,347**	42,627
Trade and other receivables	**118,615**	160,526
Other loans	**1,174**	2,149
Investments available for sale	**26,643**	26,769
	253,262	264,527
Liabilities		
Due to banks	**163,308**	202,921
Directors' fees payable	**80**	100
Trade and other payables	**87,551**	81,201
Term loan	**8,182**	9,431
	259,121	293,653

Financial risk management objectives

The Group's Management provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risk of changes in interest rates and equity prices. The Group is not exposed to foreign currency risk as most of its financial assets and liabilities are denominated in USD.

Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The Group also places short-term deposits with banks.

Interest rate sensitivity analysis

At 31 December 2013, if interest rates on borrowings (due to banks and term loan) and short-term deposits had been 1% higher / lower with all other variables held constant, profit for the year would have been increased / decreased by KD 1.32 million respectively (2012: profit for the year would have been increased / decreased by KD 1.83 million).

The Group's exposures to interest rates on short-term deposits, due to banks and term loan are detailed in Notes 4, 11 and 13 respectively to the consolidated financial statements.

Equity price risk

Equity price risk is the risk that fair values of equity securities decrease as the result of changes in level of equity indices and the value of individual equity security. The equity price risk exposure arises from the Group's investment in equity securities classified as 'Investments at fair value through income statement' and 'Investments available for sale'.

As at 31 December 2013, if the net asset value of the managed portfolio would have increased / decreased by 5% (2012: 5%), the profit for the year would have increased / decreased by KD 2.25 million (2012: profit for the year would have increased / decreased by KD 2.07 million). The effect on other comprehensive income due to equity price risk is not material as the quoted available for sale investments are not significant.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

Exposure to credit risk

The financial instruments which potentially subject the Group to credit risk consist of current and call accounts at banks, time deposits, loans and trade and other receivables. The Group places its cash and time deposits with various reputed financial institutions and avoids credit concentration. In regard to the concentration of credit risk of trade and other receivables, the Group's deals are usually with major oil companies of high credit rating, and governmental institutions.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash on hand and at banks, other loans and trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

All the financial liabilities of the Group, except for non-current portion of term loan, are due within one year. In case of the term loan KD 1.02 million (2012: KD 1.02 million) is due within one year and KD 7.16 million (2012: KD 8.41 million) is due between one and seven years.

Fair value of financial instruments

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

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

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Receivables, payables and short-term borrowings

The carrying amounts approximate fair values because of the short maturity of such instruments.

Cash on hand and at banks, deposits and investments

The carrying amounts of cash on hand and at banks and deposits approximate fair values. The fair value of quoted securities is based on market quotations. The Group's management does not have access to relevant information in order to reliably measure the fair value of the unquoted securities that are available-for-sale except for VHFL as disclosed in Note 5. Accordingly, the carrying amount of these investments is based on their cost. In the opinion of management, the fair value of these investments is not significantly different from their carrying amount.

Fair value estimation

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of managed portfolios under investments at fair value through statement of income amounting to KD 45.05 million (2012: KD 41.39 million) and quoted securities under available-for-sale investments amounting to KD 0.21 million (2012: KD 0.16 million) are determined only based on Level 1 fair value measurement which is the quoted market prices prevailing at the reporting date. The fair value of securities under held for trading category is determined based on Level 2 fair value measurement inputs.

The fair value of investment in VHFL, classified as investments available for sale is determined based on Level 3 fair value measurement which is based on the Discounted Cash Flow method of valuation.

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During the year ended 31 December 2013, there were no transfers between different levels of fair value measurement. During the year, the Group has recognized total gains of KD 0.26 million (2012: KD 2.25 million) in other comprehensive income in respect of fair value measurements of investments available for sale categorised in Level 3 of the fair value hierarchy

Future and swap contracts

The fair value of the Group's open futures and swap contracts are the estimated amounts that the Group would receive or pay to terminate the contracts at the reporting date. The estimated fair values of these contracts classified under Level 1 are as follows:

		Notional amount 2013	Notional amount 2012	**Fair value 2013**	Fair value 2012
		KD'000	KD'000	**KD'000**	KD'000
Swap contracts	Buy	**7,615**	957	**7,618**	969
Swap contracts	Sell	**8,301**	2,201	**8,449**	2,189
Future contracts	Buy	**-**	-	**-**	-
Future contracts	Sell	**5,099**	30,130	**5,117**	30,104

31. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's strategy remains unchanged from 2011.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash on hand and at banks. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The capital structure of the Group consists of debt, which includes due to banks and term loan and cash on hand and at banks and equity comprising issued capital, reserves, treasury shares and retained earnings as disclosed in these consolidated financial statements.

	2013	2012
	KD'000	KD'000
Due to banks and term loan (Note 11 & 13)	**171,490**	212,352
Less: cash on hand and at banks (Note 4)	**(60,483)**	(32,456)
Net debt	**111,007**	179,896
Total equity	**81,984**	79,772
Total capital resources	**192,991**	259,668
Gearing	**58%**	69%

32. Contingent liabilities and commitments

	2013	2012
	KD'000	KD'000
Contingent liabilities:		
Letters of guarantee and bid bonds	**929**	1,859
Letters of credit	**88,147**	89,118
	89,076	90,977
Commitments:		
Investments in projects	**12,000**	14,000