المجموعة البترولية المستقلة ش.م.ك.ع.

Independent Petroleum Group K.S.C.P.

ANNUAL REPORT 2015

39 Years

1976 - 2015

OUR OFFICES

KUWAIT
INDEPENDENT PETROLEUM GROUP K.S.C.P.

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IPG (SOUTH AFRICA) (PROPRIETORY) LIMITED

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ANNUAL REPORT 2015

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***	Chief Executive Officer
• ***Abdullah A. Zaman***	Managing Director - Planning
• ***Ali M. Al-Radwan***	Director
• ***Ali R. Al-Bader***	Director
• ***Abdullah E. Al-Kandari***	Director & Chief Financial Officer
• ***Mohammad A.Qasim***	Director and General Manager - Marketing

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Report of the Board of Directors for 2015

Message to the Shareholders

Dear Shareholders,

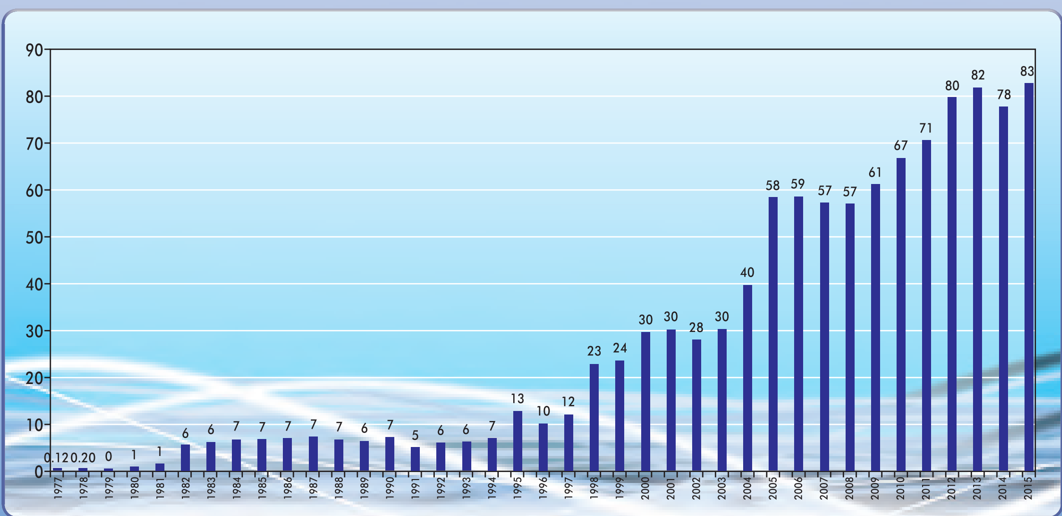
The Board of Directors is pleased to present to its shareholders the 39th Annual Report on the performance of the Independent Petroleum Group (IPG) for the year 2015.

The Global Oil Markets in 2015 witnessed a continuous drop in the prices of crude oil and petroleum products, due to surplus in oil production and reduced demand, especially in China and India. The Organization of Petroleum Exporting Countries (OPEC) failed in reaching an agreement to reduce oil production due to some key OPEC countries insisting on maintaining their market shares against competition from Non-OPEC countries. The production of shale oil did not decline, especially in the United States as anticipated, despite the sharp drop in oil prices. The price of Brent Crude dropped from US$ 53.27 per Barrel at the beginning of 2015 to US$ 38.22 by the end of the year. WTI index came down from US$ 57.33 per Barrel at the beginning of 2015 to US$ 36.25 by the end of the year. The political upheavals and the ongoing wars in the Middle East failed to prevent this drastic drop in the oil prices, which brought them back to their levels of 2008.

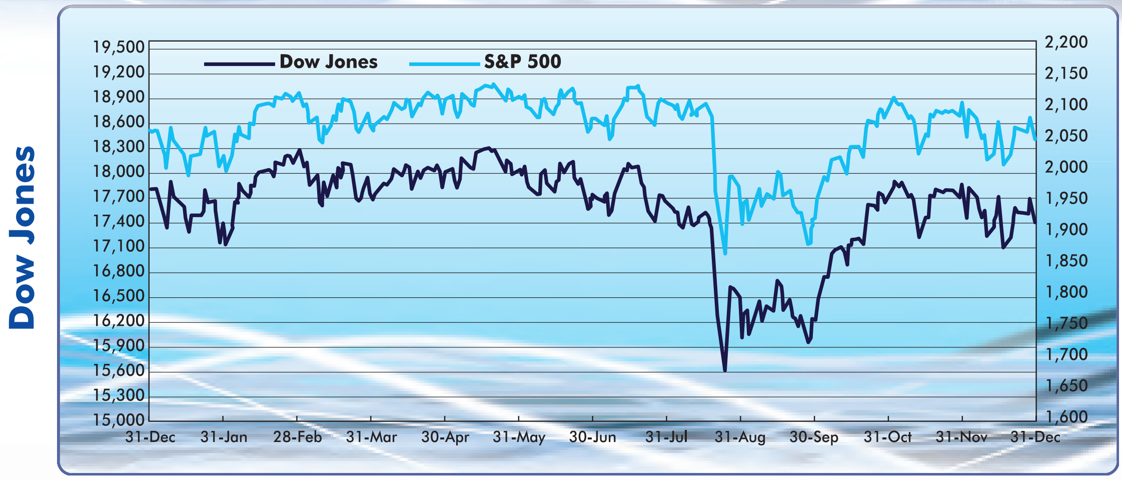
During 2015, IPG witnessed intense competition from International Oil Trading Companies, especially in its traditional markets in East Africa. Despite that, IPG still maintained similar performance as in 2014, attaining a net profit in 2015 of 3.79 Million Kuwaiti Dinar i.e. equivalent to 26.20 Fils/Share.

Global Security Markets performances were extremely disappointing in 2015. During August, the share market in China dropped by 8.5% in a single day which was called "Black Monday". This decline in China, in addition to forecasted increase in interest rates in the US, as well as the continued pessimism in the Global economy, led to a sharp decline in European and US markets. That decline affected IPG's portfolio, ending the year with a relatively slight negative performance.

IPG's Equity Movement (KD Million)



S&P 500 and Dow Jones Movement During 2015



Summary of the Company's Results for 2015

Marketing & Trading Activity

In spite of intense competition throughout 2015 in its traditional markets, IPG managed to market about 3.7 Million Tons or about 77,000 Barrels per day, which is approximately the same quantity (3.6 Million Ton) that was marketed during 2014. It is to be noted that this was possible, despite losing 1.4 Million Tons in the Ethiopian market, due to strong competition from International Oil Trading Companies.

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

Despite intense competitions and the loss of the Ethiopian market, IPG was able to increase its sales in the Arabian Gulf and the Red Sea markets, including the Kingdom of Saudi Arabia, United Arab Emirates, Yemen, Arab Republic of Egypt and Jordan.

Furthermore, IPG continued its close cooperation with many National Oil Companies such as ARAMCO, The Bahrain Petroleum Company (BAPCO) and Aden Refineries Co.

IPG also cooperated with International Oil Companies such as EXXON-MOBIL, SHELL and British Petroleum. Furthermore, IPG continued its close cooperation with major oil refineries in India, Korea, China and Singapore, in addition to refineries operating in the Mediterranean as well.

(b) Trading Activity in East Africa

Despite intense competition from International Oil Trading Companies, IPG was able to market 360,000 Tons of Petroleum products in Zimbabwe and Mozambique markets. This quantity represents an increase of about 80,000 Tons over what was marketed in 2014.

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

Approximately 1.1 Million Tons of petroleum products were marketed to this region in 2015. About 700,000 Tons were marketed to Uniterminals, Lebanon an Oil Terminal (50% owned by IPG).

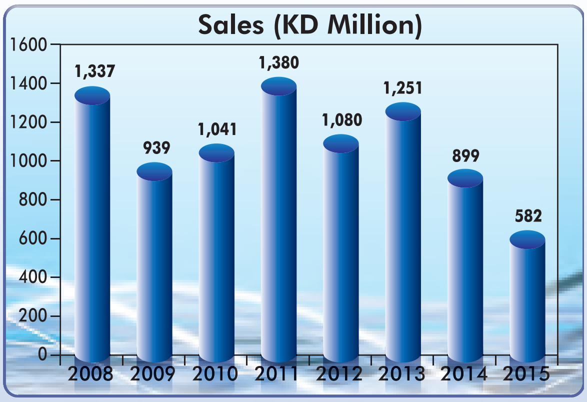
IPG also increased its sales in Morocco, where it marketed about 400,000 Tons of petroleum products locally. All these products were sold through the use of HTTSA's Storage Tanks in Tangiers port (32.5% owned by IPG).

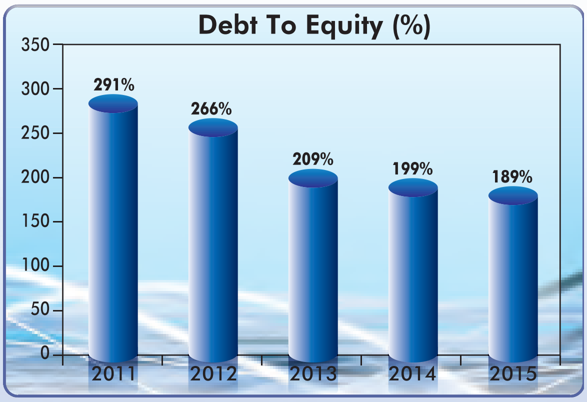
(d) Trading Activity in India and the Far East

Trading activity increased in the Far East, reaching a record sale of about 432,000 Tons to China, Vietnam and Singapore. In addition, IPG bought Diesel, Kerosene and Gasoline from India, China and South Korea, amounting to about 782,000 Tons.

(e) Shipping

IPG's Shipping Department carried out a total of 156 individual shipments during 2015 totaling approximately 4.25 Million Tons. At the end of 2015, IPG received two new tankers from the South Korean Ship Building Company (STX), each costing about US$ 36 Million with a capacity of 50,000 Tons. The two new tankers are respectively named as "D & K Abdurrazak Khaled Zaid Al-Khaled" and "AL-Betroleya". The German based DVB Bank financed the purchase of these two tankers. With these two new tankers, the total tankers having the same capacity and fully owned by IPG has reached four (4) including D & K 1 and D&K Yousuf Ibrahim Alghanim.





(f) Storage of Petroleum Products

During 2015, IPG stored about 850,000 Tons of petroleum products in Strategic Storage Terminals where IPG has a stake in them, compared to about 523,000 Tons in 2014. IPG aims to increase the use of its quotas in those storage terminals to optimize its presence in the markets in Zimbabwe, Mozambique and Morocco.

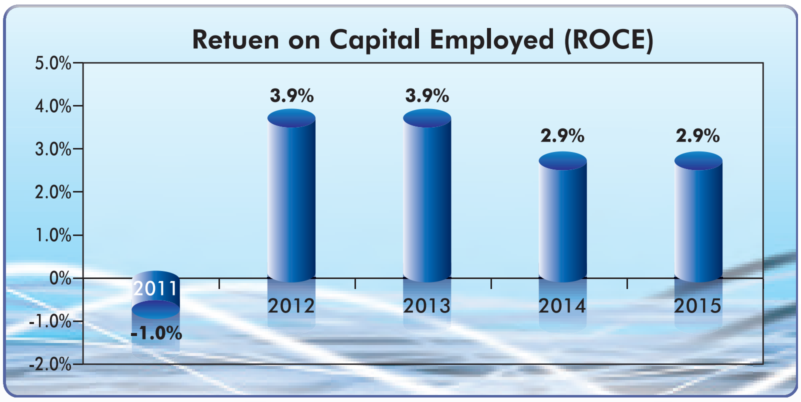
Business & Projects Development

IPG continued developing projects to complement its trading operations. In this context, it concluded a 50/50 partnership agreement with a Portuguese company, GALP, for the construction of a storage Terminal in Beira, Mozambique with a capacity of 65,000 cubic meters at a cost of US$ 60 million and a second one in Matola, Mozambique with a capacity of 46,000 cubic meters at a cost of US$ 65 million. EPC contracts were awarded to a South African Company "Steval", which commenced work during October 2015. It is expected to complete Beira Terminal towards end of 2016 and that of Matola during the first half of 2017.

Under the said partnership agreement, two companies were formed, owned equally, between IPG and GALP:

1. IPG-GALP Beira Terminal Limitada (IGBTL) for the construction of Beira Terminal
2. GALP – IPG Matola Terminal Limitada (GIMTL) for the construction of Matola Terminal

In the Kingdom of Saudi Arabia, approval has been granted by Arabtank Terminals Limited (ATTL) to expand and debottleneck the facilities to receive and load vessels with SDW of 100,000 Tons. The EPC contract has been awarded to Belleli, and it is expected to complete the construction by mid 2017.

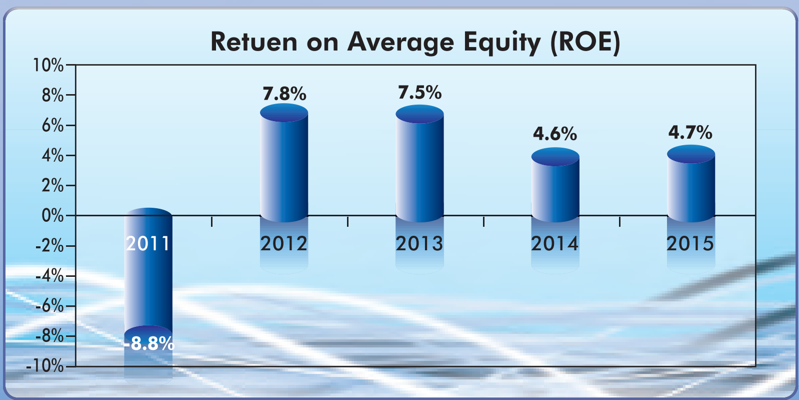


Finance & Treasury

In spite of global challenges including the volatility of the commodities market coupled with major shifts in global supply/demand and geopolitical uncertainties in the region, IPG continued its progress through its Finance Department in securing the necessary liquidity to support trading, entering and participating in international bids and contracts. IPG continued to supply its clients with petroleum products at internationally competitive pricing while also delivering utmost professional service. With that said, the department was successful in raising the necessary liquidity to finance current and future projects in addition to securing short and long term requirements by increasing facilities from existing banks and adding new facilities from new financial institutions.

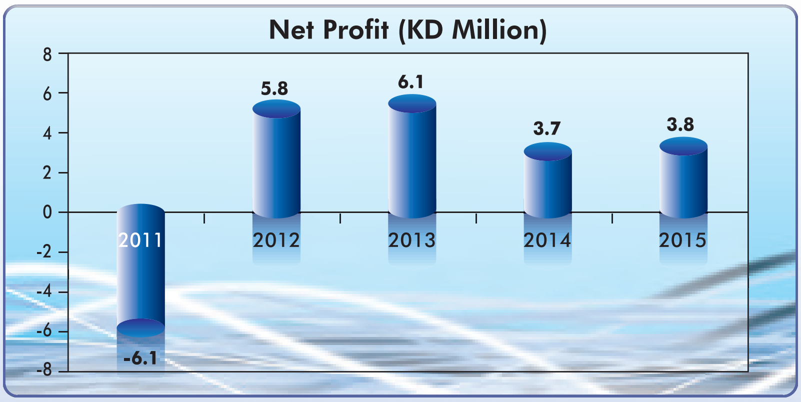
Human Resources

Manpower remains the most valuable asset of IPG and its long term investment to tackle challenges in an ever-changing international commercial environment. IPG will always maintain to keep fundamental principles pertaining to employment and career satisfaction by offering competitive pay and benefits as well as commitment to provide all facilities that enhance its employees' skills to reach their full potential goals. It is worth mentioning that during 2015, (4) new employees were recruited bringing the total staff to 115. In 2016 new appointments are expected in the management team, which will further strengthen IPG's operational capabilities.



Information Technology

During 2015, IPG implemented the most awaited Inventory module of MIS system. This Inventory System will cater for all the storages located worldwide and provide instant accurate information on the available/sold quantities, costing with breakups, payment-due alerts, invoicing details, On-demand forecasting etc. IPG also fully automated the Hedging Process for The Marketing Department which will give an accurate Open Paper position with hedging percentage against the physical cargoes for Risk Management purposes. Automation of "Budget vs Actual" reporting is implemented to accurately assess the performance at any given time. IPG also enhanced the "Profit & Loss" reporting, cargo purchase / sales monitor, contract management & voyage management systems to be more comprehensive, efficient and deeply analytical to provide management with the most accurate data to help with their decision making.



Legal Department

There has been an increase in the activities of the legal department due to the growing number of customers in new markets. The department effectively contributed towards the drafting of contracts, which led to the protection of IPG's rights and brought down the number of lawsuits. It has also resulted in lesser dependency on external law firms and scaling down of the annual expenditure. As part of its role, the department rendered prompt and effective legal advices to other departments in IPG, such as Marketing, Finance, Business Development and Human Resources. Finally, being able to draft agreements in Arabic, English and French languages facilitated IPG's business from Morocco to Pakistan Projects, where IPG is involved.

This was adopted based on the foregoing and the Board of Directors has approved the financial statements for the financial year ended 31.12.2015 and decided to recommend a cash dividend of 25% of the normal value per share(i.e. twenty-five fils per share) deducting the treasury shares. As such it has been recommended to reward the Board Members an amount of KD 80,000 (eighty thousand dinars only) which is subject to approval by the General Assembly.

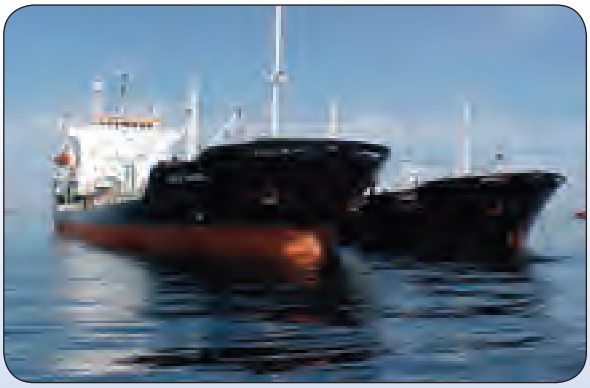
In conclusion, the Board of Directors expresses its sincere gratitude to the shareholders for their invaluable trust and support and to all the employees of IPG for their dedication.

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 4 petroleum product vessels which are fully utilized by IPG. The D&KH fleet will provide IPG with the required strategic controlled tonnage coverage.

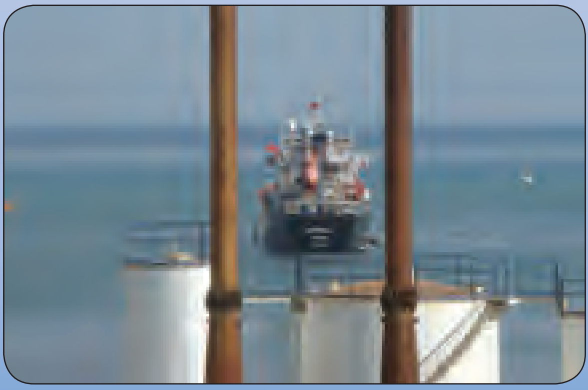


2 Uniterminals – Lebanon: (IPG share 50% - Joint Venture Company)

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. By Shareholding IPG's capacity is 37,000 cbm.

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. By Shareholding IPG's capacity is 38,000 cbm.

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 cbm of which 268,500 cbm is for petroleum products and 19,200 cbm for chemical products with a total capital cost of US$ 74 million. The Pipeline connection of three 16" lines to Samref refinery has been commissioned. To improve the operational efficiency and flexibility of the terminal, Phase III Infrastructure (Debottlenecking) Project has been approved by ATTL in 2015. Accordingly, the EPC Contract has been awarded to Belleli s.p.a at a cost of US$ 11.7 million in November 2015 with a duration of 17 months. By Shareholding IPG's capacity is 105,057 cbm.

Other Shareholders are:

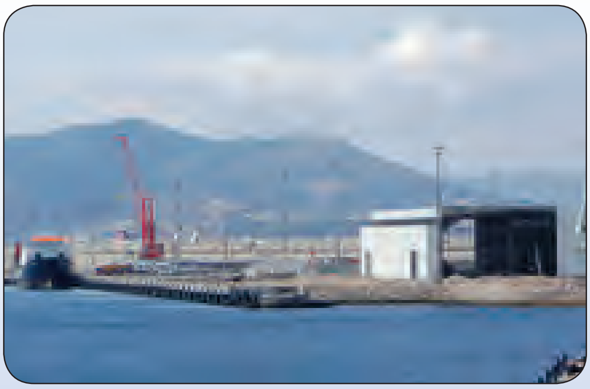
- Emirates National Oil Company (ENOC)
- Saudi Arabian Refining Company (SARCO)

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

HTTSA owns and operates a storage and bunkering facility of 532,919 cbm for clean and dirty petroleum products at Port Tangiers, Morocco under a Concession Agreement with TMSA (Agence Spéciale Tanger Méditerranée) for 25 years. Total cost of the project is € 140.5 million. TMSA is constructing Jetty no. 2 at cost of approx. € 12 million which is 100% financed by HTTSA. Upon completion of the Jetty no. 2, HTTSA will have access to the Jetty no. 2 in addition to the existing exclusive Jetty No. 1 which will add flexibility on shipping facilities for the Clients of HTTSA. The Jetty no. 2 is expected to be operational by Q4 of 2016. By Shareholding IPG's capacity is 173,199 cbm.

Other Shareholders are:

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



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 owns and operates an independent storage terminal for petroleum products, LPG, chemicals and edible oils with a storage capacity of 371,000 cbm constructed at a capital cost of US$ 100 million. Plans are underway to expand the existing capacity of the terminal. By Shareholding IPG's capacity is 74,200 cbm.

Other Shareholders are:

- Horizon Terminals Limited (HTL)
- Net Support Holdings Limited (NSHL)
- Essense Management Limited (EML)

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. By Shareholding IPG's capacity is 186,750 cbm.

Other Shareholders are:

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

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. By Shareholding IPG's capacity is 10.25 Km.

Other Shareholders are:

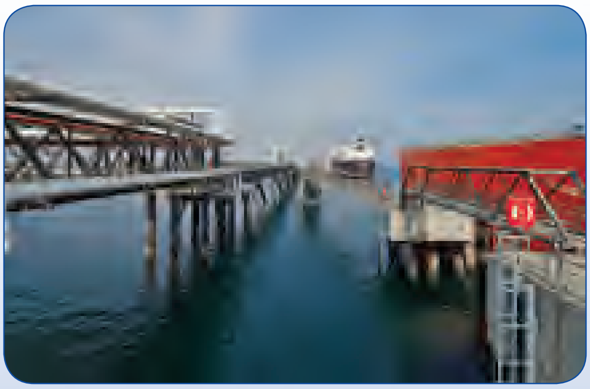
- Pakistan State Oil (PSO)
- Asia Infrastructure Ltd of Singapore (AIL)
- VECO International of USA (VECO)

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. VHFL is currently implementing the expansion of storage capacity by constructing a crude oil storage facility of 478 Km3 with a project cost of US$ 90.62 million and expected to be commissioned in Q3 of 2016. By Shareholding IPG's capacity is 236,754 cbm.

Other Shareholders are:

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



Financial Highlights

	2009	2010	2011	2012	2013	2014	2015
Sales (KD Million)	939	1041	1380	1080	1251	899	**582**
Gross Margin (%)	0.8%	0.6%	0.1%	0.8%	0.7%	0.5%	**1.0%**
Operating Profit (KD Million)	1.3	0.5	-4.3	3.3	3.0	2.3	**3.0**
Net Profit (KD Million)	6.0	4.5	-6.1	5.8	6.1	3.7	**3.8**
Earning Per share (Fils)	41.43	31.03	-41.89	40.35	42.00	25.60	**26.20**
Price Earning (Times)	10.26	14.66	-	8.67	9.40	15.04	**11.45**
Book value (Fils)	423	463	489	552	567	538	**573**
Cash Dividend (%)	30%	30%	-	30%	30%	25%	**25%**
Dividend Yield (%)	7.1%	6.6%	-	8.6%	7.6%	6.5%	**8.3%**
Total Assets (KD Million)	303.8	309.3	424.7	375.2	342.9	293.4	**269.1**
Shareholders' Equity (KD Million)	61.2	66.9	70.7	79.8	82.0	77.8	**82.9**
Return on Average Equity (%)	10%	7%	-9%	8%	8%	4.6%	**4.7%**
Return on Average Capital Employed (%)	4.6%	3.1%	-1.0%	3.9%	3.9%	2.9%	**2.9%**

Independent Auditor's Report
and
Consolidated Financial Statement

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KPMG

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Abdulaziz Hamad Al-Saqr St., Sharq
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T + 965 2296 1000
F + 965 2241 2761

Independent auditors' report

The Shareholders
Independent Petroleum Group K.S.C.P.
State of Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Independent Petroleum Group K.S.C.P. ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, 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 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 2015, 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 its Executive Regulations, and the Parent Company's Articles and Memorandum 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 were no contravention during the financial year ended 31 December 2015, of the Companies Law No 25 of 2012, as amended and its Executive Regulations, 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: 17 February 2016

Consolidated statement of financial position

As at 31 December 2015

	Notes	**2015 KD'000**	2014 KD'000
ASSETS			
Current assets			
Cash on hand and at banks	4	**39,127**	31,552
Investments at fair value through statement of income	5	**51,427**	49,592
Trade and other receivables	6	**52,123**	112,440
Inventories		**25,999**	24,255
Total current assets		**168,676**	217,839
Non-current assets			
Other loans	7	**729**	1,085
Investments available for sale	5	**26,790**	21,819
Investment in joint venture	8	**4,070**	4,439
Investment in associates	9	**29,244**	26,244
Property and equipment	10	**39,548**	21,994
Total non-current assets		**100,381**	75,581
Total assets		**269,057**	293,420
LIABILITIES AND EQUITY			
Current liabilities			
Due to banks	11	**134,101**	147,010
Directors' fees payable		**80**	80
Trade and other payables	12	**27,484**	59,108
Current portion of term loan	13	**3,095**	1,060
Total current liabilities		**164,760**	207,258
Non-current liabilities			
Non-current portion of term loan	13	**19,244**	6,376
Provision for staff indemnity	14	**2,181**	1,981
Total non-current liabilities		**21,425**	8,357
Total liabilities		**186,185**	215,615
Equity			
Share capital	15	**15,225**	15,225
Share premium		**22,587**	22,587
Legal reserve	16	**7,613**	7,613
General reserve	17	**606**	606
Fair value reserve	5	**24,514**	19,584
Share of associates' hedging reserve		**-**	(30)
Foreign currency translation adjustments		**(1,158)**	(1,091)
Treasury shares reserve		**1,429**	1,429
Treasury shares	18	**(2,770)**	(2,770)
Retained earnings		**14,826**	14,652
Total equity		**82,872**	77,805
Total liabilities and equity		**269,057**	293,420

The accompanying notes form an integral part of these consolidated financial statements.

Khalaf Ahmad Al-Khalaf	Ghazi Fahad Al-Nafisi	Waleed Jaber Hadeed
Chairman	*Vice Chairman*	*Chief Executive Officer*

Consolidated statement of income

For the year ended 31 December 2015

	Notes	2015 KD'000	2014 KD'000
Sales		**582,189**	899,187
Cost of sales		**(576,384)**	(895,099)
Gross profit		**5,805**	4,088
Net interest relating to oil marketing operations	19	**(3,020)**	(3,428)
Net results of oil marketing operations		**2,785**	660
Share in results of associates and joint venture	20	**5,562**	5,970
Dividend income	21	**1,320**	2,169
General and administrative expenses		**(1,439)**	(1,465)
Staff costs		**(3,680)**	(3,632)
Depreciation	10	**(1,598)**	(1,443)
Operating profit		**2,950**	2,259
Unrealised gain from investments at fair value through statement of income	21	**16**	1,423
Other income	22	**943**	138
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		**3,909**	3,820
Contribution to KFAS	23	**(39)**	(38)
Provision for NLST	24	**-**	-
Provision for Zakat	23	**-**	-
Directors' fees		**(80)**	(80)
Profit for the year		**3,790**	3,702
Earnings per share (fils)	25	**26.20**	25.60

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	2015 **KD'000**	2014 KD'000
Profit for the year	**3,790**	3,702
Other comprehensive income / (loss) :		
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of investments available for sale	**4,930**	(4,518)
Movement in share of associates' hedging reserve	**30**	71
Foreign currency translation adjustments	**(67)**	904
Other comprehensive income / (loss) for the year	**4,893**	(3,543)
Total comprehensive income for the year	**8,683**	159

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

	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 2014	15,225	22,587	7,613	606	24,102	(101)	(1,995)	1,429	(2,770)	15,288	81,984
Total comprehensive (loss) / income for the year	-	-	-	-	(4,518)	71	904	-	-	3,702	159
Dividends for 2013 (Note 27)	-	-	-	-	-	-	-	-	-	(4,338)	(4,338)
Balance at 31 December 2014	15,225	22,587	7,613	606	19,584	(30)	(1,091)	1,429	(2,770)	14,652	77,805
Total comprehensive income / (loss) for the year	-	-	-	-	4,930	30	(67)	-	-	3,790	8,683
Dividends for 2014 (Note 27)	-	-	-	-	-	-	-	-	-	(3,616)	(3,616)
Balance at 31 December 2015	15,225	22,587	7,613	606	24,514	-	(1,158)	1,429	(2,770)	14,826	82,872

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2015

	Notes	2015 KD'000	2014 KD'000
Cash flows from operating activities			
Profit for the year before provisions for contribution to KFAS, NLST, Zakat and Directors' fees		**3,909**	3,820
Adjustments for:			
Interest expense	19	**3,241**	3,615
Share in results of associates and joint venture	20	**(5,562)**	(5,970)
Dividend income	21	**(1,320)**	(2,169)
Provision for staff indemnity	14	**234**	180
Depreciation	10	**1,598**	1,443
Unrealised gain from investments at fair value through statement of income	21	**(16)**	(1,423)
Interest income	19 & 22	**(252)**	(218)
		1,832	(722)
Changes in operating assets and liabilities:			
- Trade and other receivables		**60,335**	6,192
- Inventories		**(1,744)**	20,341
- Trade and other payables		**(31,651)**	(28,185)
Cash generated from / (used in) operations		**28,772**	(2,374)
Payment of staff indemnity	14	**(34)**	(23)
Interest received		**234**	200
Payment to KFAS		**(38)**	(56)
Directors' fees paid		**(80)**	(80)
Net cash generated from / (used in) operating activities		**28,854**	(2,333)
Cash flows from investing activities			
Other loans		**396**	135
Purchase of property and equipment	10	**(18,370)**	(4,546)
Dividends received		**3,801**	4,745
Net cash (used in) / generated from investing activities		**(14,173)**	334
Cash flows from financing activities			
Due to banks		**(12,909)**	(16,298)
Term loan		**14,903**	(746)
Dividends paid		**(3,616)**	(4,338)
Interest paid		**(3,215)**	(3,854)
Net cash used in financing activities		**(4,837)**	(25,236)
Effect of foreign currency translation		**(2,278)**	(1,705)
Net increase / (decrease) in cash and cash equivalents		**7,566**	(28,940)
Cash and cash equivalents at beginning of the year		**31,331**	60,271
Cash and cash equivalents at end of the year	4	**38,897**	31,331

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2015

1. Formation and activities

Independent Petroleum Group K.S.C.P. ("the Parent Company") was established on 11 September 1976 as a Kuwaiti Shareholding Company, under commercial registration No. 24496. 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 consolidated financial statements were authorized for issue by the Board of Directors on 17 February 2016. 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 requirements of the Companies Law No. 25 of 2012, as amended, and its Executive Regulations, the Company's articles and memorandum of association and the Ministerial Order No. 18 of 1990. 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 amended International Financial Reporting Standards effective from 1 January 2015:

Amendments to IFRS 3 - Business Combinations

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that

- all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through statement of income whether or not they fall within the scope of IAS 39.
- for the scope exceptions within IFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
  - This scope exception only applies to the financial statements of the joint venture or the joint operation itself.

Amendments to IFRS 8 - Operating Segments

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments to these standards which are effective for annual periods beginning on or after 1 July 2014 clarify that the determination of the accumulated depreciation or amortization under the revaluation method does not depend on the selection of the valuation technique. They also clarify that the accumulated depreciation or amortization is computed as the difference between the gross and the net carrying amounts. Consequently, when the residual value, the useful life or the depreciation or amortization method has been re-estimated before a revaluation, restatement of the accumulated depreciation or amortization is not proportionate to the change in the gross carrying amount of the asset.

Amendments to IAS 24 - Related Party Disclosures

The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarify that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Amendments to IFRS 13 - Fair Value Measurement

The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarify that the portfolio exception in IFRS 13 applies to all contracts within the scope of IFRS 9 (or IAS 39, as applicable), regardless of whether they meet the definitions of financial assets or financial liabilities.

The above mentioned amendments have no significant financial impact on the consolidated financial statements of the Group.

b) Standards issued but not yet effective

The following new and amended standards have been issued but are not effective for the financial year beginning 1 January 2015 and not early adopted by the Group:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after 1 January 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- *IAS 18 – Revenue,*
- *IAS 11 – Construction Contracts,*
- *IFRIC 13 – Customer Loyalty Programs,*
- *IFRIC 15 – Agreements for the Construction of Real Estate,*
- *IFRIC 18 – Transfers of Assets from Customers, and,*
- *SIC 31 – Revenue-Barter Transactions Involving Advertising Services*

• *IFRS 11 (Amendments) – Accounting for acquisitions of interests in joint operations*	Effective for annual periods beginning on or after 1 January 2016
• *IAS 16 (Amendments) – Clarification of acceptable methods of depreciation*	Earlier effective for annual periods beginning on or after 1 January 2016
• *IAS 38 (Amendments) – Clarification of acceptable methods of amortization*	Effective for annual periods beginning on or after 1 January 2016
• *Amendments to IFRS 5 – Non Current Assets Held for Sale & Discounted Operations*	Effective for annual periods beginning on or after 1 January 2016
• *IFRS 10 and IAS 28 Sales or contribution of assets between an investor and its associate or joint venture*	Effective for annual periods beginning on or after 1 January 2016
• *IAS 1 – Disclosure Initiative*	Effective for annual periods beginning on or after 1 January 2016
• *Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception*	Effective for annual periods beginning on or after 1 January 2016
• *Amendments to IFRS 7 – Financial Instruments: Disclosures*	Effective for annual periods beginning on or after 1 January 2016
• *Amendment to IAS 34 – Interim Financial Reporting*	Effective for annual periods beginning on or after 1 January 2016
• *IFRS 16 – Leases*	Effective for annual periods beginning on or after 1 January 2019

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 2015	Ownership interest 2014	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, investments available for sale, trade receivables, other loans, 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.

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 net asset changes 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) Property and equipment

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 judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 judgments, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts 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

	2015	2014
	KD'000	KD'000
Cash on hand and at banks	**17,475**	14,394
Call accounts and time deposits	**21,422**	16,937
Cash and cash equivalents	**38,897**	31,331
Time deposits with maturity exceeding three months	**230**	221
	39,127	31,552

Time deposits earned interest at an average effective interest rate of 0.25% (2013: 0.25%) per annum and mature within 3 to 6 months (2013: 3 to 6 months) from the date of the placement.

5. Investments

	2015	2014
	KD'000	KD'000
Investments at fair value through statement of income:		
Held for trading:		
Managed portfolios	**49,933**	48,400
Securities	**1,494**	1,192
	51,427	49,592
Investments available for sale:		
Quoted securities	**190**	219
Unquoted securities	**26,600**	21,600
	26,790	21,819

Investments at fair value through statement of income with a carrying amount of KD 49.93 million (2014: KD 48.40 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 fair value gain of KD 5 million (2014: fair value loss of KD 4.52 million) has been recognized under fair value reserve in equity through the statement of other 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 25.46 million (2014: KD 20.46 million). The fair value was based on discounted cash flows using a rate based on the risk free rate of 2.27% (2014: 2.17%) and the risk premium of 6.56 % (2014: 6.5%) 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 (2014: 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

	2015	2014
	KD'000	KD'000
Trade receivables	**44,042**	108,607
Prepaid expenses	**4,442**	2,887
Refundable deposits and taxes	**30**	30
Others	**3,609**	916
	52,123	112,440

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 and are secured against letter of guarantees issued by customers in favor of the Group"

7. Other loans

	2015	2014
	KD'000	KD'000
Inpetro SARL	**-**	382
Arabtank Terminals Limited	**712**	686
Others	**17**	17
	729	1,085

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% (2014: 0% to 8%) per annum for loans given at fixed interest rates and 3.5% (2014: 3.5%) over three months LIBOR for loans given at floating interest rates.

8. Investment in joint venture

	2015 **KD'000**	2015 KD'000
Uniterminals S.A.L., Lebanon	**4,070**	4,439

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 were 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 venture:

	2015 **KD'000**	2014 KD'000
Current assets	**26,750**	37,462
Non-current assets	**6,094**	6,006
Current liabilities	**(24,396)**	(34,288)
Non-current liabilities	**(308)**	(302)
Net assets	**8,140**	8,878
Group's share of net assets	**4,070**	4,439
Operating profit	**1,424**	2,646
Loan interest and other expenses	**(390)**	(418)
Profit for the year	**1,034**	2,228
Group's share of profit for the year (Note 20)	**517**	1,114

Dividends received from the Joint Venture during the year amounts to KD 1,053 thousands (2014: KD 636 thousands).

9. Investment in associates

	Location	**Percentage of ownership**	**2015** **KD'000**	2014 KD'000
Inpetro SARL	Mozambique	40%	**1,886**	1,310
Arabtank Terminals Ltd., (ATT)	Kingdom of Saudi Arabia	36.5%	**5,174**	4,473
Horizon Djibouti Holdings Ltd. (HDHL)	Djibouti	22.22%	**7,907**	6,454
Horizon Singapore Terminals Private Ltd., (HSTPL)	Singapore	15%	**6,775**	6,809
Horizon Tangiers Terminals SA. (HTTSA)	Morocco	32.5%	**7,502**	7,198
			29,244	26,244

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 2015 (2014: for the nine month period ended 30 September 2014) and management accounts for the three month period ended 31 December 2015 (2014: for the three month period ended 31 December 2014).

	2015	2014
	KD'000	KD'000
Total assets	**2,908**	2,459
Total liabilities	**(1,022)**	(1,149)
Net assets	**1,886**	1,310
Operating income	**1,389**	1,244
Operating expenses	**(650)**	(698)
Profit for the year (Note 20)	**739**	546

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:

	2015	2014
	KD'000	KD'000
Total assets	**6,495**	6,872
Current liabilities	**(780)**	(1,506)
Long-term debt	**(541)**	(893)
Net assets	**5,174**	4,473
Operating income	**1,375**	1,329
Operating expenses	**(841)**	(784)
Profit for the year (Note 20)	**534**	545

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:

	2015 KD'000	2014 KD'000
Total assets	**9,317**	7,644
Total liabilities	**(1,410)**	(1,190)
Net assets	**7,907**	6,454
Operating income	**2,105**	1,778
Operating expenses	**(898)**	(890)
Profit for the year (Note 20)	**1,207**	888

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:

	2015 KD'000	2014 KD'000
Total assets	**11,297**	12,548
Total liabilities	**(4,522)**	(5,739)
Net assets	**6,775**	6,809
Operating income	**3,703**	4,215
Operating expenses	**(2,049)**	(2,227)
Profit for the year (Note 20)	**1,654**	1,988

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 HTTSA, included in the consolidated financial statements was based on the audited financial statements for the year ended 31 December and was as follows:

	2015	2014
	KD'000	KD'000
Total assets	**10,868**	13,863
Total liabilities	**(3,366)**	(6,665)
Net assets	**7,502**	7,198
Operating income	**2,596**	2,732
Operating expenses	**(1,685)**	(1,843)
Profit for the year (Note 20)	**911**	889

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

	2015	2014
	KD'000	KD'000
Current assets	**38,576**	34,302
Non-current assets	**139,801**	155,128
Current liabilities	**(19,311)**	(21,629)
Non-current liabilities	**(32,393)**	(52,460)
Net assets	**126,673**	115,341
Operating income	**50,314**	52,152
Operating expenses	**(27,108)**	(28,860)
Profit for the year	**23,206**	23,292

During the year, the Group received a dividend of KD 1.45 million (2014: KD 1.94 million) from its associates.

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For the year ended 31 December 2015

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	Capital work in progress KD'000	Total KD'000
Cost								
As at 1 January 2014	544	1,692	24,984	1,040	131	57	-	28,448
Additions	-	-	10	37	29	17	4,453	4,546
Currency translation effects	-	-	653	(35)	3	-	-	621
As at 31 December 2014	544	1,692	25,647	1,042	163	74	4,453	33,615
Additions	-	-	22,737	86	-	-	(4,453)	18,370
Currency translation effects	-	-	753	29	-	-	-	782
As at 31 December 2015	544	1,692	49,137	1,157	163	74	-	52,767
Accumulated depreciation								
As at 1 January 2014	-	1,021	8,117	876	107	57	-	10,178
Charge for the year	-	40	1,291	93	18	1	-	1,443
As at 31 December 2014	-	1,061	9,408	969	125	58	-	11,621
Charge for the year	-	40	1,447	90	19	2	-	1,598
As at 31 December 2015	-	1,101	10,855	1,059	144	60	-	13,219
Carrying amount								
As at 31 December 2015	544	591	38,282	98	19	14	-	39,548
As at 31 December 2014	544	631	16,239	73	38	16	4,453	21,994

During the year, two additional vessels have been added to the fleet and 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% (2014: 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 49.93 million (2014: KD 48.40 million) (Note 5).

12. Trade and other payables

	2015	2014
	KD'000	KD'000
Trade payables	**18,383**	50,224
Accrued expenses	**6,072**	5,923
Accrued staff leave	**296**	504
Provision for KFAS	**39**	38
Others	**2,694**	2,419
	27,484	59,108

13. Term loan

The term loan relates to the financing of the vessels acquired through DKHL (a subsidiary). The term loan is denominated in USD and is secured by the mortgage of the vessels (Note 10) and carries interest ranging from 1.75% to 5.32 % (2014: 1.75% to 5.32%) per annum.

14. Provision for staff indemnity

	2015	2014
	KD'000	KD'000
Balance at 1 January	**1,981**	1,824
Charge for the year	**234**	180
Payments made during the year	**(34)**	(23)
Balance at 31 December	**2,181**	1,981

15. Share capital

The authorised, issued and fully paid up share capital consists of 152,250,000 shares of 100 fils each (2014: 152,250,000 shares of 100 fils each), fully paid in cash.

16. Legal reserve

As per the 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.

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.

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

	2015	2014
Number of shares	**7,620,000**	7,620,000
Percentage of issued shares	**5.0%**	5.0%
Market value (KD million)	**2.13**	2.93
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 2015. Such amount will not be available for distribution during treasury shares holding period.

19. Net interest relating to oil marketing operations

	2015 KD'000	2014 KD'000
Interest income	**221**	187
Interest expense	**(3,241)**	(3,615)
	(3,020)	(3,428)

20. Share in results of associates and joint venture

	2015 KD'000	2014 KD'000
Inpetro SARL (Note 9)	**739**	546
Arabtank Terminals Ltd. (Note 9)	**534**	545
Horizon Djibouti Holdings Ltd (Note 9)	**1,207**	888
Horizon Singapore Terminals Private Ltd., (Note 9)	**1,654**	1,988
Horizon Tangiers Terminals (Note 9)	**911**	889
Uniterminals S.A.L. (Note 8)	**517**	1,114
	5,562	5,970

21. Investment income

	2015 KD'000	2014 KD'000
Unrealised gain from investments at fair value through statement of income	**16**	1,423
Dividend income	**1,320**	2,169

During the year ended 31 December 2015, the Group received a dividend of KD 0.99 million (2014: KD 1.89 million) from Vopak Horizon Fujairah Limited (VHFL) and KD 0.30 million (2014: KD 0.26 million) from Asia Petroleum Ltd.

22. Other income

	2015 KD'000	2014 KD'000
Net foreign exchange gain	**912**	107
Interest income related to project	**31**	31
	943	138

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 2015. The Group continued with their claim against the ministry for the outstanding amounts for the years 2005 to 2015.

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:

	2015	2014
Profit for the year (KD'000)	**3,790**	3,702
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)	**26.20**	25.60

26. Proposed dividends

The Board of Directors proposed a cash dividend of 25 fils per share for the year ended 31 December 2015 (2014: 25 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 10 March 2015 approved the annual audited consolidated financial statements for the year ended 31 December 2014 and dividends were declared for the year ended 31 December 2014 at 25 fils per share (2013: 30 fils).

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	Total 2015 KD'000	Total 2014 KD'000
1 Revenues:				
Sales	118,560	-	**118,560**	204,160
Storage expense	-	5,697	**5,697**	5,810

	Joint Venture KD'000	Associates KD'000	Total 2015 KD'000	Total 2014 KD'000
2 Due from / to related parties:				
Trade and other receivables	7,606	-	**7,606**	4,884
Trade and other payables	-	498	**498**	646
Others and short-term loans	-	729	**729**	1,085

	2015 KD'000	2014 KD'000
3 Key management compensation		
Salaries and other short-term benefits	**661**	664
Terminal benefits	**57**	53
	718	717

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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:

	2015			2014		
	Africa and Middle East KD'000	**Asia and Far East KD'000**	**Total KD'000**	Africa and Middle East KD'000	Asia and Far East KD'000	Total KD'000
Sales	**525,028**	**57,161**	**582,189**	899,187	-	899,187
Segment result	**7,050**	**2,617**	**9,667**	6,811	1,988	8,799
Unallocated corporate expenses			**(6,717)**			(6,540)
Operating profit			**2,950**			2,259
Other information:						
Segment assets	**49,743**	**2,380**	**52,123**	112,440	-	112,440
Unallocated corporate assets			**216,934**			180,980
Total assets			**269,057**			293,420
Segment liabilities	**17,395**	**988**	**18,383**	50,224	-	50,224
Unallocated corporate liabilities			**167,802**			165,391
Total liabilities			**186,185**			215,615

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

	2015 KD'000	2014 KD'000
Financial assets		
Cash on hand and at banks	**39,127**	31,552
Investments at fair value through statement of income	**51,427**	49,592
Investments available for sale	**26,790**	21,819
Trade and other receivables	**52,123**	112,440
Other loans	**729**	1,085
	170,196	216,488
Liabilities		
Due to banks	**134,101**	147,010
Directors' fees payable	**80**	80
Trade and other payables	**27,484**	59,108
Term loan	**22,339**	7,436
	184,004	213,634

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 2015, 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 1.35 million respectively (2014: profit for the year would have been increased / decreased by KD 1.38 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 2015, if the net asset value of the managed portfolio would have increased / decreased by 5% (2014: 5%), the profit for the year would have increased / decreased by KD 2.50 million (2014: profit for the year would have increased / decreased by KD 2.42 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 3.095 million (2014: KD 1.06 million) is due within one year and KD 19.24 million (2014: KD 6.38 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 49.93 million (2014: KD 48.40 million) and quoted securities under available-for-sale investments amounting to KD 0.19 million (2014: KD 0.22 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.

During the year ended 31 December 2015, there were no transfers between different levels of fair value measurement. During the year, the Group has recognized a gain of KD 5 million (2014: Loss of KD 4.52 million) in other comprehensive income in respect of fair value measurements of investments available for sale categorized 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 2015 KD'000	Notional amount 2014 KD'000	**Fair value 2015 KD'000**	Fair value 2014 KD'000
Swap contracts	Buy	**22,178**	4,911	**20,969**	4,649
Swap contracts	Sell	**33,578**	13,156	**30,666**	12,378
Swap contracts	Buy	**3,665**	-	**3,360**	-
Future contracts	Sell	**3,557**	8,246	**3,101**	7,478

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 2014.

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.

	2015 KD'000	2014 KD'000
Due to banks and term loan (Note 11 & 13)	**156,440**	154,446
Less: cash on hand and at banks (Note 4)	**(39,127)**	(31,552)
Net debt	**117,313**	122,894
Total equity	**82,872**	77,805
Total capital resources	**200,185**	200,699
Gearing ratio	**59%**	61%

32. Contingent liabilities and commitments

	2015 KD'000	2014 KD'000
Contingent liabilities:		
Letters of guarantee and bid bonds	**3,384**	2,571
Letters of credit	**34,410**	61,023
	37,794	63,594
Commitments:		
Investments in projects	**4,500**	8,200

33. Comparative note

Certain of the prior year amounts have been reclassified to conform to the current year presentation.