41 Years

1976 - 2017

ANNUAL REPORT 2017

المجموعة البترولية المستقلة ش.م.ك.ع.

Independent Petroleum Group K.S.C.P.

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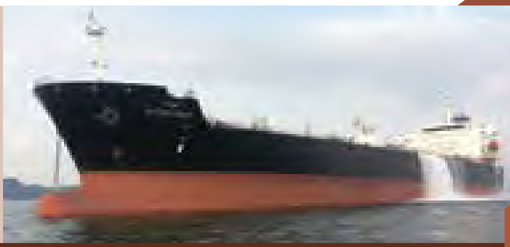

ANNUAL REPORT
2017

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

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Report of the Board of Directors for 2017

Message to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to the Shareholders the 41st Annual Report on the performance of the Independent Petroleum Group (IPG) for the year 2017.

The most important event for IPG during 2017 was the increase in issued and paid up capital from KD 15,225,000 to KD 18,840,750; an increase of KD 3,615,750 which is equivalent to the issuance of 36,157,500 new shares or 23.8%. With this last raise in capital, the number of issued shares increased to 188,407,500 from 152,250,000 shares. The issued share price was 300 fils (100 plus 200 fils premium).

There was a strong demand for this capital increase and it was successfully completed in July 2017. The shareholders equity at the end of 2017 reached KD 96.407 million (equivalent to 511 fils per share). In comparison to the end of 2016, the shareholder's equity was KD 85.724 million (equivalent to 563 fils per share).

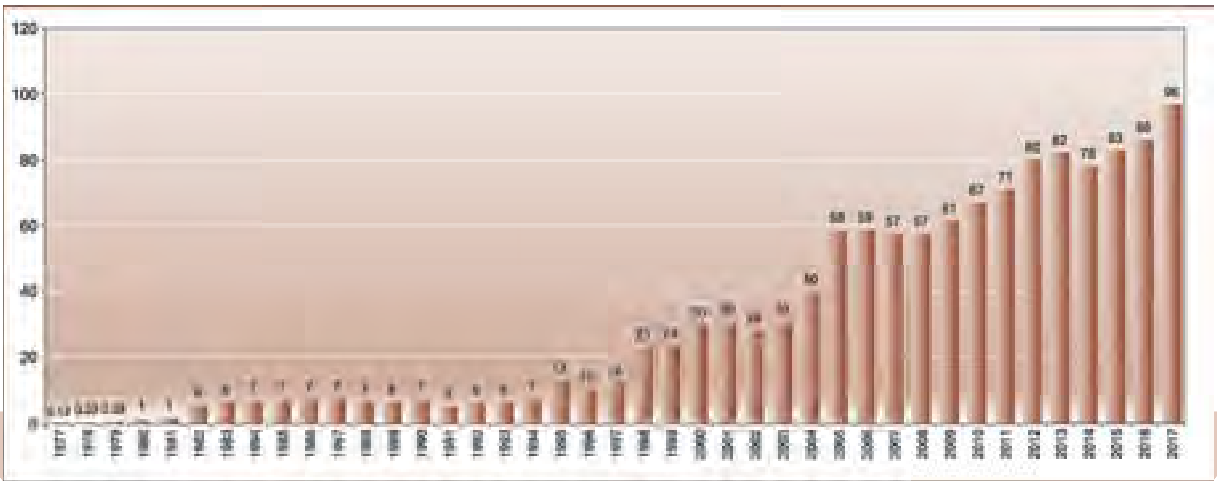
As far as other major events are concerned in 2017, the political situation in the World was unstable due firstly to the US threats to North Korea and Iran, plus the dire and unstable political situation in the Middle East due to the ongoing war in Yemen, Syria, Iraq and Libya.

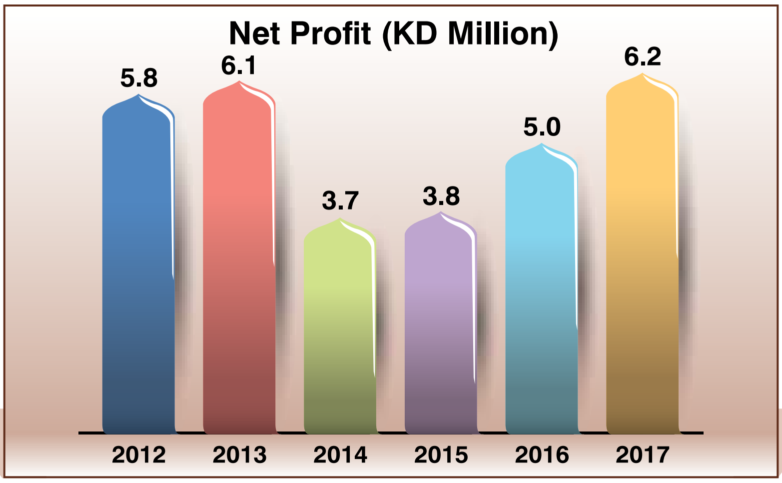
OPEC's latest agreement to reduce output by 1.8 million barrels per day, helped not only in maintaining oil prices at their previous levels, but also their subsequent increase with Brent crude reaching US$ 66.87 per barrel; it's highest since June 2016.

There were strong competitions in the markets that IPG is active in, especially in Africa, caused mainly by Major International Oil Trading Companies. Despite that, IPG's performance during 2017 was quite satisfactory, achieving a net profit of 6.232 million KD, equivalent to 37.32 fils per share. The profit is about 24.4% over that of the year 2016.

The Board of Directors has continued to adopt policies, procedures and regulations governing the Corporate Governance. The attached Corporate Governance Report highlights the Board's achievements in 2017 in adopting all the regulations put forward by the Capital Markets Authority.

IPG's Equity Movement (KD Million)





SUMMARY OF THE COMPANY'S RESULTS FOR 2017

MARKETING AND COMMERCIAL ACTIVITIES

The major International Oil Trading Companies continued to trade very competitively in our markets, particularly in Africa. However, that did not impede IPG from successfully continuing with its trading activities, including opening new markets. The war in Yemen led to a decrease in IPG's exports to that country compared to 2016. The petroleum assistance program by the Kingdom of Saudi Arabia and the United Arab Emirates also caused a decrease in IPG's exports to Egypt. In the meantime, IPG continued its close cooperation with the National as well as Major Oil Companies.

(a) Trading Activities in The Gulf and Red Sea

Sales to the Gulf and the Red Sea region accounted for 32% of IPG's total sales- Yemen, Djibouti and Egypt were the major outlets.

(b) Trading Activities in East Africa

For the second consecutive year, IPG continued supplying Zambia with all its requirement of "Reconstituted Crude" to operate its oil refinery, meeting all contractual clauses successfully. As to Zimbabwe, the unavailability of foreign exchange and intense competition reduced our exports.

(c) Trading Activities in Mediterranean Sea

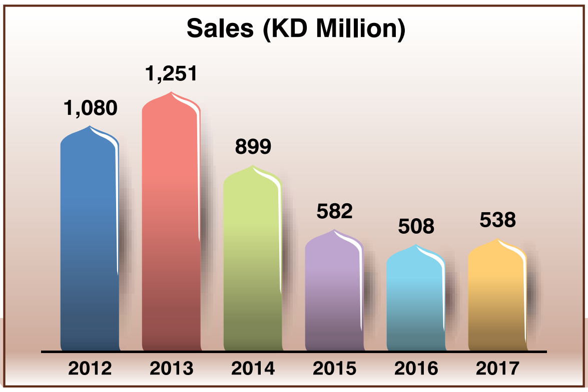
IPG's sales of refined petroleum products in the Mediterranean basin reached 1.1 million tons, evenly shared between Lebanon and Morocco. It should be noted that the entire sales by IPG to Lebanon were made through Uniterminals (50% owned by IPG). Despite a drop in IPG's total sales to Lebanon in 2017 compared to 2016, IPG was able to generate higher profits. Profits generated from sales to Morocco also increased over 2016, where IPG utilizes the tanks in HTTSA Terminal in the port of Tangiers. IPG owns 32.5% shares of this Terminal.

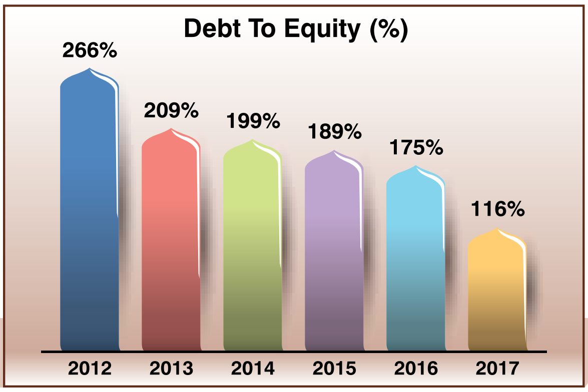
(d) Trading Activities in The Far East

IPG's sales of petroleum products to customers in Singapore reached about 301,000 tons, which is about equal to its sales in the region during 2016.

(e) Shipping

During 2017, ninety-eight (98) shipments were carried out by IPG's Shipping Department, deploying its four (4) owned oil tankers as well as chartered vessels. The total volume of cargos thus shipped reached about 3.7 million tons. IPG's fully owned oil tankers, namely Abdul Razzaq Al Khalid and Al Betroleya, continued to be chartered out to ARAMCO. The total volume of oil shipped by oil tankers chartered out to companies such as ARAMCO, KPC, BP, SHELL and others, reached 526,000 tons, whereas the grand total quantities of both product and crude oil shipped by IPG reached about 4.2 million tons.





(f) Storage of Petroleum Products

The total volume of products stored and utilized by IPG in its oil terminals, increased in 2017 to about 1.2 million tons. IPG leased some 168,000 cubic meters in Arabtank Terminal, Saudi Arabia to Aramco. IPG also continued to utilize the storage capacity it owns in the Terminals in Mozambique and Morocco, enabling it to successfully maintain its markets in these regions.

Risk Management Team

Risk Management Team (RMT) functions as a separate section within the Marketing Department, managing all the risks related to oil price volatility and securing the trading margin in accordance with IPG's policy.

The team also evaluates the economies of all the trades executed by traders and provides daily reporting to the Marketing Department and exclusive periodical and performance reports to management as well as provides assistance to IPG's Annual plans. RMT does also technical analysis about the oil price movements and advises the trading team about the views on the oil price movements and identifies physical arbitrage opportunities between different geographical location.

RMT members are experienced professionals with affluent knowledge in the oil and energy industry. In all its functions, RMT is operating within IPG's strict Hedging Policy.

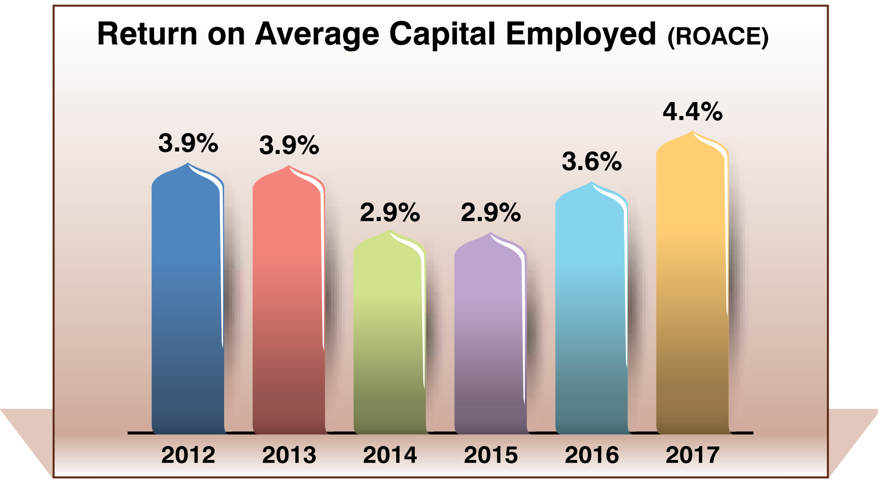
Business and Project Development

The Business Development and Projects Department continued to monitor projects currently being under execution, as well as to look for new investment opportunities consistent with IPG's strategic plans. During 2017, IPG followed up the implementation of Arab Tank Terminal Phase III expansion project in Yanbu, Saudi Arabia, which is partially owned by IPG (36.5%). This expansion costing about US$ 14.0 million was totally financed by IPG. In addition to that a New Berth 20, commissioned during Nov 2017, enabled the berthing of Larger Vessels (100,000 mt. DWT). The 24" pipeline project is expected to be completed during the first quarter of 2018.

With regard to Tangiers, Morocco, construction of a new Berth No. 2 was completed during 2017 along with the Truck Loading Gantry for a total cost of Euro 14.5 m.

The Department also continued to follow up the progress of the joint projects with GALP, a Portuguese

Private Oil Company in both Beira and Matola, Mozambique. IPG agreed with GALP to terminate the previous contract with “Steval” due to delays in executing the two Projects. A Management Agreement was concluded with a specialized Portuguese Company in projects execution and it is anticipated to complete the Beira Project (65,000 cubic meters) during the first quarter of 2019 and Matola Project (66,000 cubic meters) during the fourth quarter of 2019. These two equally owned Projects with Galp will enable IPG to carry out market expansions in Zambia, Zimbabwe, Botswana, Congo, South Africa as well as other neighboring countries.

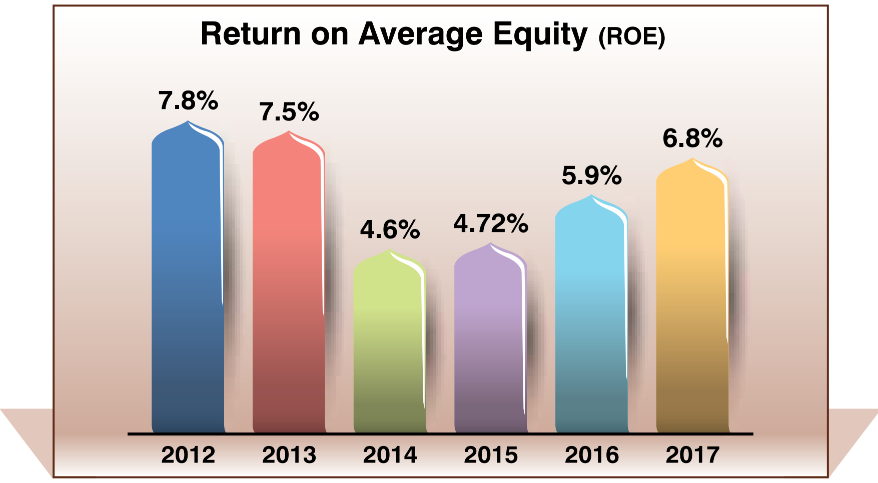


Finance & Treasury

The Finance Department continued providing the full support to meet the financial liquidity requirements of IPG’s local and international operations and to participate in entering in the international bidding contracts to supply the group’s customers with competitively priced petroleum products.
The department has continued to establish new relations with new banks locally and internationally to obtain additional funding required to meet current and future financial needs.

Human Resources

IPG has taken a strategic decision to be an effective competitor in bringing in the largest possible number of young Kuwaitis to train and rehabilitate them and thus achieve the group’s long term goals. During 2017, ten (10) new employees were recruited, bringing the total staff to 135. At the end of 2017, the percentage of Kuwaitis reached 18% of the total workforce.



Information Technology (IT)

Continuing with IPG's focus on Security, the IT Department finalized the implementation of the Security Infrastructure project as per Industry's Best Practice recommendations. The IT Department also launched a new, enhanced, dynamic and interactive web site for IPG that is compatible with all presently available devices. IPG's Financial Application was upgraded to the latest version along with a new feature of enhanced Management Reporting. Currently, IPG is in the design and implementation stage for upgrading the smart building infrastructure (CCTV cameras, Biometric access control, etc.) and Digital Video Conferencing system.

Legal Department

The year 2017 was no exception to the fundamental guidelines that has been adopted by the Legal Department since its inception, namely keeping the legal exposure of IPG as low as possible. The decrease of lawsuits and hence the support of external law firms has continued to drop in 2017.
IPG's legal department has once again proved to be capable of granting full legal support to all IPG's Departments in all corporate and trading areas.

The Board of Directors approved the audited financial statements as of 31 December 2017 and decided to recommend the below:

1 - Cash dividend of 30 Fils per share in the total amount 5,652,225 (KD Five million Six hundred Fifty Two thousand Two hundred Twenty Five) for the year ended 31/12/17 to the registered shareholders on the date of the AGM.

2 - Approving the remuneration to the Board of Directors for the financial year ended 31/12/2017 amounting to KD 80,000 (KD Eighty thousand)

In conclusion, the Board of Directors expresses its thanks and appreciation to the shareholders for their great confidence and to all the employees of IPG for their sincerity and dedication.

Khalaf Ahmed Al-Khalaf
Chairman

IPG'S SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES (BRIEF OF FACILITIES AND LATEST DEVELOPMENT)

1. D&K Holdings: (L.L.C.) – UAE: (IPG share 100% - Subsidiary Company - Incorporated in 1999 and IPG acquired 100% in 2008)

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 - - Acquired in 2002)

Uniterminals markets petroleum products to wholesale buyers in Lebanon. It owns and operates a petroleum product storage terminal with a capacity of 74,000 m^3. It has a paid-up capital of US $16.7 million. By Shareholding IPG's capacity is 37,000 m^3.

Other Shareholder is:

- Unihold SAL – Lebanon

3. Inpetro SARL, Beira – Mozambique: (IPG share 40% - Associate Company - Incorporated in 2002 and Commissioned in 2006)

Inpetro owns and operates petroleum products storage terminal in Port Beira, Mozambique with a storage capacity of 95,000 m³ constructed at a total capital cost of US $26 million. By Shareholding IPG's capacity is 38,000 m³.

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 – Acquired in 2000 and Commissioned in 2008)

ATT owns and operates a storage facility of 288,300 m³ of which 268,500 m³ is for petroleum products and 19,800 m³ for chemical products with a total capital cost of US$ 74 million along with a pipeline connection (three 16" lines) to Samref Refinery, Yanbu, KSA. Phase III Infrastructure (Debottlenecking) project to improve the operational efficiency and flexibility of the terminal has been partially commissioned (full commissioning is expected by Q1 2018) which enabled the terminal to utilize berth 20 to receive LR vessels. ATT signed the development agreement with Farabi Petrochemicals Co. of KSA to rent 45K m3 for the storage of chemical products. ATT's scope of works of the conversion of the 4 petroleum tanks of chemical storage tanks is estimated at a cost of US$ 25 Mn. As per the agreement, ATTL scope by end of 2019 is to hand over the 45K m3 capacity in 4 tanks along with other facilities. Additionally, Farabi will sign the 20-year storage agreement starting from 2020. By Shareholding IPG's capacity is 105,230 m³.

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 – Incorporated in 2006 and Commissioned in 2012)

HTTSA owns and operates a storage and bunkering facility of 533,000 cbm for clean and dirty petroleum products at Port Tangiers, Morocco at a total capital cost of € 140.5 million. With the financing of HTTSA, TMSA completed the construction and commissioned Jetty 2 in mid-2017. With this expansion HTTSA will have access to the Jetty no. 2, in addition to the existing exclusive Jetty No. 1, which will add flexibility for shipping facilities for HTTSA clients. By shareholding IPG's capacity is 173,199 m^3.

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 - Incorporated in 2003 and Commissioned in 2006)

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 m^3 constructed at a capital cost of US $100 million. By Shareholding IPG's capacity is 74,200 m^3.

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 – Incorporated in 2004 and Commissioned in 2007)

HSTPL owns and operates an independent petroleum storage terminal with a storage capacity of 1.2 million m³ and four jetties at a capital cost of US $299 million. By Shareholding IPG's capacity is 186,750 cbm.

Other Shareholders are:

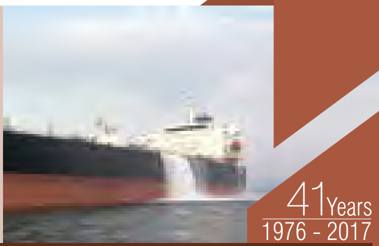
- Horizon Terminals Limited (HTL)
- Boreh International Limited (BIL)
- South Korea Energy Asia Pte. Limited (SK)
- Martank BV (MBV)

8. Vopak Horizon Fujairah Limited (VHFL) – UAE: (IPG share 11.11% - Associate Company – Incorporated in 1997 and Commissioned in phases starting from 1999)

VHFL owns and operates an independent petroleum products storage terminal in Fujairah with a storage capacity of 2.6 million m³ including marine facilities with 4 berths and one single point mooring (SPM), at a total capital cost of US $505 million. By Shareholding IPG's capacity is 290,000 m³.

Other Shareholders are:

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



9. Total IPG's storage capacity by shareholding in all the above terminals is 904, 264 Cubic Meters

10. Asia Petroleum Limited (APL) – Pakistan: (IPG share 12.5% - Associate Company - Incorporated in 1994 and Commissioned in 1996)

APL owns and operates a petroleum products pipeline (including a 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)

Financial Highlights

	2012	2013	2014	2015	2016	2017
Sales (KD Million)	1080	1251	899	582	508	**538**
Gross Margin (%)	0.8%	0.7%	0.5%	1.0%	1.5%	**1.4%**
Operating Profit (KD Million)	3.3	2.96	2.3	3.0	3.5	**1.6**
Net Profit (KD Million)	5.8	6.1	3.7	3.8	5.0	**6.2**
Earning Per share (Fils)	40.35	42.00	25.60	26.20	34.63	**37.32**
Price Earning (Times)	8.67	9.40	15.04	10.69	10.54	**10.69**
Book value/Share (Fils)	552	567	538	573	593	**533**
Cash Dividend (%)	30%	30%	25%	25%	30%	**30%**
Dividend Yield (%)	8.6%	7.6%	6.5%	8.9%	8.2%	**7.5%**
Total Assets (KD Million)	375	343	293	269	285	**295**
Shareholders' Equity (KD Million)	79.8	82.0	77.8	82.9	85.7	**96.4**
Return on Average Equity (%)	7.8%	7.5%	4.6%	4.7%	5.9%	**6.8%**
Return on Average Capital Employed (%)	3.9%	3.9%	2.9%	2.9%	3.6%	**4.4%**

Independent Auditors' Report

and

Consolidated Financial Statements

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Independent Auditors' report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Independent Petroleum Group K.S.C.P. ("the Parent Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities, under those standards, are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

RSM

The Key audit matter	How the matter was addressed in our audit
Investments available for sale	
Investment in Vopak Horizon Fujairah Limited (VHFL) amounting to KD 25.76 million, classified as investment available for sale, is fair valued using discounted cash flow technique. The valuation is carried out by the Parent Company's internal valuer ("Valuer"). Due to the unquoted nature of this investment, the assessment of fair value is subjective and requires a number of significant judgements and estimates by management in particular to discount rates, capitalization rate, growth rates and the estimation of future cash flows projections. Accordingly, this was an area of focus for our audit. Refer to Note 3 - Critical judgements and estimation uncertainty and Note 5 – Investments.	Our audit procedures over the valuation of the investment included, but were not limited to, the following: • Discussions were held with the Valuer on the appropriateness of valuation technique and involved our specialists to test the key inputs and assumptions used to determine fair value; and • Evaluate the reasonableness of the key inputs and assumptions made by the Valuer in conjunction with available supporting information, such as the verification of financial inputs to the VHFL management accounts, historical ratios, capacity utilization rates, discount rates, growth rates and cash flow projections.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's 2017 annual report, other than the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Board of Directors report which forms part of the annual report and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial

statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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. 1 of 2016 and its Executive Regulations as amended, and the Parent Company's Memorandum and Articles of Association, as amended. 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 accounts of the Parent Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum and Articles of Association, as amended, during the year ended 31 December 2017 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

Dr. Rasheed M. Al - Qenae
License No. 130 - A
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Dr. Shuaib A. Shuaib
License No. 33 - A
RSM Albazie & Co..

State of Kuwait: January 24, 2018

Consolidated statement of financial position

For the year ended 31 December 2017

	Notes	2017 KD'000	2016 KD'000
ASSETS			
Current assets			
Cash on hand and at banks	4	**41,577**	34,891
Trade and other receivables	6	**64,641**	67,521
Inventories		**33,307**	29,004
Investments at fair value through statement of income	5	**58,175**	53,348
Total current assets		**197,700**	184,764
Non-current assets			
Investments available for sale	5	**27,123**	28,651
Investment in joint venture	8	**4,706**	4,453
Investment in associates	9	**29,210**	28,341
Property and equipment	10	**35,469**	38,353
Other loans	7	**706**	716
Total non-current assets		**97,214**	100,514
Total assets		**294,914**	285,278
LIABILITIES AND EQUITY			
Current liabilities			
Due to banks	11	**94,732**	131,233
Trade and other payables	12	**85,315**	46,420
Current portion of term loans	13	**1,603**	1,626
Directors' fees payable		**80**	80
Total current liabilities		**181,730**	179,359
Non-current liabilities			
Non-current portion of term loans	13	**15,616**	17,465
Provision for staff indemnity	14	**1,161**	2,730
Total non-current liabilities		**16,777**	20,195
Total liabilities		**198,507**	199,554
Equity			
Share capital	15	**18,841**	15,225
Share premium	15	**29,665**	22,587
Legal reserve	16	**8,267**	7,613
General reserve	17	**606**	606
Fair value reserve	5	**24,854**	26,366
Foreign currency translation adjustments		**(1,942)**	(1,550)
Treasury shares reserve		**1,429**	1,429
Treasury shares	18	**(2,770)**	(2,770)
Retained earnings		**17,457**	16,218
Total equity		**96,407**	85,724
Total liabilities and equity		**294,914**	285,278

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 2017

	Notes	**2017 KD'000**	2016 KD'000
Sales		**537,659**	508,137
Cost of sales		**(530,177)**	(500,646)
Gross profit		**7,482**	7,491
Net interest relating to oil marketing operations	19	**(3,452)**	(3,592)
Net results of oil marketing operations		**4,030**	3,899
Share in results of associates and joint venture	20	**5,735**	5,439
Dividend income	21	**12**	2,355
Unrealised gain from investments at fair value through statement of income	21	**5,609**	1,477
General and administrative expenses		**(1,422)**	(1,438)
Staff costs		**(4,320)**	(4,415)
Depreciation	10	**(2,423)**	(2,350)
Net other (expense) / income	22	**(681)**	172
Profit for the year before contribution to KFAS, NLST, Zakat and Directors' fees		**6,540**	5,139
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	23	**(65)**	(51)
Contribution to National Labour Support Tax (NLST)	24	**(163)**	-
Directors' fees		**(80)**	(80)
Profit for the year		**6,232**	5,008
Earnings per share (fils)	25	**37.32**	33.64

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

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	2017 **KD'000**	2016 KD'000
Profit for the year	**6,232**	5,008
Other comprehensive (loss) / income :		
Items that may be reclassified subsequently to statement of income		
Changes in fair value of investments available for sale	**(1,512)**	1,852
Foreign currency translation adjustments	**(392)**	(392)
Other comprehensive (loss) / income for the year	**(1,904)**	1,460
Total comprehensive income for the year	**4,328**	6,468

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

Consolidated statement of change in equity

For the year ended 31 December 2017

	Share capital KD'000	Share premium KD'000	Legal reserve KD'000	General reserve KD'000	Fair value 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 2016	15,225	22,587	7,613	606	24,514	(1,158)	1,429	(2,770)	14,826	82,872
Total comprehensive income / (loss) for the year	-	-	-	-	1,852	(392)	-	-	5,008	6,468
Dividends for 2015 (Note 27)	-	-	-	-	-	-	-	-	(3,616)	(3,616)
Balance at 31 December 2016	15,225	22,587	7,613	606	26,366	(1,550)	1,429	(2,770)	16,218	85,724
Increase in share capital (Note 15)	3,616	7,078	-	-	-	-	-	-	-	10,694
Total comprehensive (loss) / income for the year	-	-	-	-	(1,512)	(392)	-	-	6,232	4,328
Dividends for 2016 (Note 27)	-	-	-	-	-	-	-	-	(4,339)	(4,339)
Transfer to legal reserve	-	-	654	-	-	-	-	-	(654)	-
Balance at 31 December 2017	18,841	29,665	8,267	606	24,854	(1,942)	1,429	(2,770)	17,457	96,407

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

Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	2017 KD'000	2016 KD'000
Cash flows from operating activities			
Profit for the year before provisions for contribution to KFAS, NLST, Zakat and Directors' fees		**6,540**	5,139
Adjustments for:			
Interest expense	19	**3,960**	3,734
Share in results of joint venture and associates	20	**(5,735)**	(5,439)
Dividend income	21	**(12)**	(2,355)
Provision for staff indemnity	14	**207**	560
Depreciation	10	**2,423**	2,350
Unrealised gain from investments at fair value through statement of income	21	**(5,609)**	(1,477)
Interest income	19 & 22	**(508)**	(444)
		1,266	2,068
Changes in operating assets and liabilities:			
- Trade and other receivables		**3,016**	(15,376)
- Inventories		**(4,303)**	(3,005)
- Trade and other payables		**38,611**	18,918
Cash generated from operations		**38,590**	2,605
Payment of staff indemnity	14	**(1,776)**	(11)
Interest received		**372**	422
Payment to KFAS		**(51)**	(39)
Directors' fees paid		**(80)**	(80)
Net cash generated from operating activities		**37,055**	2,897
Cash flows from investing activities			
Proceeds of loans to associates		**-**	1,207
Decrease in other loans		**10**	13
Purchase of property and equipment	10	**(62)**	(859)
Dividends received		**4,120**	6,832
Net cash generated from investing activities		**4,068**	7,193
Cash flows from financing activities			
Decrease in due to banks		**(36,501)**	(2,868)
Repayment of term loans		**(1,871)**	(3,248)
Dividends paid	27	**(4,339)**	(3,616)
Interest paid		**(3,853)**	(3,727)
Proceeds from issuance of shares	15	**10,694**	-
Net cash used in financing activities		**(35,870)**	(13,459)
Effect of foreign currency translation		**1,433**	(637)
Net increase / (decrease) in cash on hand and at banks		**6,686**	(4,006)
Cash on hand and at banks at beginning of the year		**34,891**	38,897
Cash on hand and at banks at end of the year	4	**41,577**	34,891

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

1. Formation and activities

Independent Petroleum Group Company K.S.C.P. ("the Parent Company") was established on September 11, 1976 as a Kuwaiti Shareholding Company under commercial registration No.24496. The Parent Company was listed on the Boursa Kuwait on December 10, 1995.

The objectives of the Parent Company and its subsidiaries (the "Group") are as follows:

Benefit from national scientific and business expertise in petroleum and petrochemical industry to achieve the following objectives:

a) Provide economic, technical and specialist advisory services to oil and petrochemicals producing and consuming governments and companies, in areas of marketing, refining, production, investment, financial affairs, planning, maritime transport, organization, training and other areas related to oil and petrochemicals;

b) Conduct marketing researches, and gather and publish information about the oil and petrochemicals industry;

c) Provide specialist services to the oil and petrochemicals consuming and producing governments to expedite communications and maintain consistent relationships among them;

d) Initiate and carry out marketing operations and industrial projects for its own account or the account of oil and petrochemicals consuming and producing governments or in collaboration and participation with them in all areas of oil and petrochemical industry;

e) Acquire facilities, tools, equipment and all other instruments used in oil and petrochemicals industry including manufacturing plants, transport means and others, for its own account or in participation with oil and petrochemicals producing and consuming governments and companies all over the world; and

f) Act as agents and representatives for oil and petrochemicals producing and consuming governments and companies, and carry out all other operations required by company's activities, interests and objectives including sale, purchase and acquisition in all areas related to oil and petrochemicals.

The Parent Company may have interest or to participate in any manner with entities that carry on similar business or that may assist it with achieving its objectives in the State of Kuwait or abroad, and it may buy these entities or acquire them as subsidiaries.

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

As of December 31, 2017, the Group has 135 employees (December 31, 2016: 130 employees).

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on January 24, 2018. The Annual General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

Notes to the consolidated financial statements

For the year ended 31 December 2017

2. Significant accounting policies

a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), the relevant provisions of the Companies Law No. 1 of 2016 as amended and its Executive Regulations, Ministerial Order No. 18 of 1990 and the Company's Articles and Memorandum of Association.

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 and
- Inventories

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

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards effective as of January 1, 2017:

Amendment to IAS 7 – Disclosure Initiative

The amendment to this standard which is effective prospectively for annual periods beginning on or after January 1, 2017 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes

Amendments to IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments are effective from January 1, 2017 and must be applied retrospectively.

These amendments did not have any material impact on the consolidated financial statements.

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 on January 1, 2017 and not early adopted by the Group:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 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 the recognition and derecognition of financial instruments from IAS 39.

a) Classification and measurement

IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

Overall, the Group expects no significant impact on its consolidated statement of financial position and consolidated statement of changes in equity except for the effect of applying the impairment requirements of IFRS 9.

Investments available for sale

Unquoted equity investments classified as available for sale investments carried at fair value qualify for designation as measured at "fair value through other comprehensive income" under IFRS 9, however the fair value gains or losses accumulated in cumulative changes in fair value will no longer be recycled to profit or loss under IFRS 9, which is different from the current treatment. This will affect the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

Investments at fair value through profit or loss

Currently, the Group has designated financial assets classified as investments at fair value through profit or loss under IAS 39 and is measured at fair value. IFRS 9 has no impact on quoted equity investments classified under fair value through profit or loss.

Other financial assets

Trade and other receivables and other loans are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Financial liabilities

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

The Group concluded that it has not designated any financial liabilities at fair value through profit or loss and it has no current intention to do so.

b) Impairment

For the impairment of financial assets, IFRS 9 introduces an "expected credit loss (ECL)" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

Concerning impairment, the management expect to apply the simplified approach to recognise lifetime ECL for the Group's financial assets carried at amortized cost. Although the management are currently assessing the extent of this impact, they anticipate that the application of the ECL model of IFRS 9 may result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed.

Notes to the consolidated financial statements

For the year ended 31 December 2017

c) Hedge Accounting

Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The management does not expect any impact on the consolidated financial statements of the Group resulting from hedge accounting under IFRS 9 as currently, the Group has not entered into any such instruments.

d) Disclosure

The Group plans to adopt the new standard when it becomes mandatory and will not restate comparative information. The Group is in the process of assessing the full impact of IFRS 9 on the Group's consolidated financial statements based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 2018, establishes a single and 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

This standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The new standard also provides greater guidance on the accounting for provisionally priced contracts which applies to most of the Group's sales arrangements. The Group is currently assessing the impact of above matter under IFRS 15.

The Group has anticipated that IFRS 15 will be adopted in the Group's consolidated financial statements when it becomes mandatory. Based on the current accounting treatment of the Group's major sources of revenue (Note 2(L)) the management does not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group, apart from providing more extensive disclosures on the Group's revenue transactions.

However, as the management are still in the process of assessing the full impact of the application of IFRS 15 on the Group financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

IFRS 16 Leases

This standard will be effective for annual periods beginning on or after January 1, 2019 and will be replacing IAS 17 “Leases”. The new standard does not significantly change the accounting for leases for lessors and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The interpretation will be effective for annual periods beginning on or after January 1, 2018 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Amendments to IAS 28 – Investment in Associates and Joint Ventures

The amendments clarify that:

a) An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

b) If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

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:

			Percentage of holding (%)	
Name of subsidiary	**Country of incorporation**	**Principal activities**	**2017**	**2016**
Independent Petroleum Group Limited	Bahamas	Trading of crude oil and petroleum products	100%	100%
Independent Petroleum Group of Kuwait Limited.	United Kingdom	Representative office	100%	100%
Independent Petroleum Group (Asia) Pte. Limited.	Singapore	Trading of crude oil and petroleum products	100%	100%
Independent Petroleum Group (Southern Africa) (Pty) Limited.	South Africa	Representative office	100%	100%
D&K Holdings L.L.C.	United Arab Emirates	Holding Company for subsidiaries in shipping	100%	100%

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 and other receivables, other loans, derivative financial instruments, due to banks, trade and other payables and term loans.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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 off 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 capitalized.

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 and 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 recognized 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 recognized 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 recognized 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

"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

	2017 KD'000	2016 KD'000
Cash on hand and at banks	**23,816**	9,356
Call accounts and time deposits	**17,761**	25,535
Cash and cash equivalents	**41,577**	34,891

Time deposits earned interest at an average effective interest rate of 0.4% (2016: 0.4%) per annum and mature within 3 months (2016: 3 months) from the date of the placement.

5. Investments

	2017 KD'000	2016 KD'000
Investments at fair value through statement of income:		
Held for trading:		
Managed portfolios	**56,542**	51,894
Securities	**1,633**	1,454
	58,175	53,348
Investments available for sale:		
Quoted securities	**222**	192
Unquoted securities	**26,901**	28,459
	27,123	28,651

Investments at fair value through statement of income with a carrying amount of KD 56.54 million (2016: KD 51.89 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 loss of KD 1.5 million (2016: fair value gain of KD 1.9 million) has been recognized under fair value reserve in equity through 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 25.76 million (2016: KD 27.32 million). The fair value was based on discounted cash flows using a rate based on the risk free rate of 2.48% (2016: 2.45%) and the risk premium of 5.7% (2016: 6.47%) 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 (2016: 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

	2017 KD'000	2016 KD'000
Trade receivables	**52,497**	57,980
Prepaid expenses	**2,609**	1,608
Refundable deposits and taxes	**26**	26
Others	**9,509**	7,907
	64,641	67,521

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

	2017 KD'000	2016 KD'000
Arabtank Terminals Limited	**706**	716

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

The interest rates for the above loans vary from 0.5% to 8% (2016: 0.5% to 8%) per annum for loans given at fixed interest rates and 3.5% (2016: 3.5%) over three months LIBOR for loans given at floating interest rates.

8. Investment in joint venture

	2017 KD'000	2016 KD'000
Uniterminals S.A.L., Lebanon	**4,706**	4,453

Uniterminals S.A.L.

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

	2017 KD'000	2016 KD'000
Current assets	**26,592**	25,590
Non-current assets	**6,782**	6,196
Current liabilities	**(23,710)**	(22,620)
Non-current liabilities	**(252)**	(260)
Net assets	**9,412**	8,906
Group's share of net assets	**4,706**	4,453
Operating profit	**2,310**	1,978
Loan interest and other expenses	**(210)**	(322)
Profit for the year	**2,100**	1,656
Group's share of profit for the year (Note 20)	**1,050**	828

Dividends received from the Joint Venture during the year amounts to KD 728 thousands (2016: KD 489 thousands).

9. Investment in associates

	Location	Percentage of ownership	2017 KD'000	2016 KD'000
Inpetro SARL	Mozambique	40%	**932**	1,645
Arabtank Terminals Ltd.	Kingdom of Saudi Arabia	36.5%	**5,529**	5,566
Horizon Djibouti Holdings Ltd.	Djibouti	22.22%	**5,514**	5,588
Horizon Singapore Terminals Private Ltd.	Singapore	15%	**7,868**	7,143
Horizon Tangiers Terminals SA	Morocco	32.5%	**9,367**	8,399
			29,210	28,341

Inpetro SARL

The Group's investment in Inpetro SARL represents an investment in a petroleum storage terminal. The Group's share of interest in the associate as of 31 December is summarized as follows:

	2017 KD'000	2016 KD'000
Total assets	**2,954**	2,247
Total liabilities	**(2,022)**	(602)
Net assets	**932**	1,645

	2017 KD'000	2016 KD'000
Operating income	**1,130**	1,117
Operating expenses	**(821)**	(855)
Profit for the year (Note 20)	**309**	262

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 of interest in the associate as of 31 December is summarized as follows:

	2017 **KD'000**	2016 KD'000
Total assets	**7,615**	7,442
Current liabilities	**(371)**	(587)
Long-term debt	**(1,715)**	(1,289)
Net assets	**5,529**	5,566
Operating income	**869**	1,139
Operating expenses	**(827)**	(796)
Profit for the year (Note 20)	**42**	343

Horizon Djibouti Holdings Ltd

The Group's investment in HDHL represents an investment in a petroleum storage terminal. The Group's share of interest in the associate as of 31 December is summarized as follows:

	2017 **KD'000**	2016 KD'000
Total assets	**6,060**	6,032
Total liabilities	**(546)**	(444)
Net assets	**5,514**	5,588
Operating income	**2,459**	2,182
Operating expenses	**(943)**	(934)
Profit for the year (Note 20)	**1,516**	1,248

Horizon Singapore Terminals Private Ltd

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 of interest in the associate as of 31 December is summarized as follows:

	2017 **KD'000**	2016 KD'000
Total assets	**10,138**	10,463
Total liabilities	**(2,270)**	(3,320)
Net assets	**7,868**	7,143
Operating income	**3,645**	3,647
Operating expenses	**(1,981)**	(2,008)
Profit for the year (Note 20)	**1,664**	1,639

Horizon Tangiers Terminals SA

The Group's investment in this associate represents an investment in a petroleum storage terminal. The Group's share of interest in the associate as of 31 December is summarized as follows:

	2017 **KD'000**	2016 KD'000
Total asset	**13,333**	11,271
Non-current assets	**(3,966)**	(2,872)
Net assets	**9,367**	8,399
Operating income	**3,019**	2,816
Operating expenses	**(1,865)**	(1,697)
Profit for the year (Note 20)	**1,154**	1,119

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

	2017 **KD'000**	2016 KD'000
Current assets	**26,147**	25,366
Non-current assets	**141,011**	135,227
Current liabilities	**(15,145)**	(18,593)
Non-current liabilities	**(25,691)**	(21,240)
Net assets	**126,322**	120,760
Operating income	**50,305**	49,801
Operating expenses	**(27,462)**	(27,596)
Profit for the year	**22,843**	22,205

During the year, the Group received a dividend of KD 3.38 million (2016: KD 3.99 million) from its associates.

10. Property and equipment

	Freehold Land KD'000	Buildings KD'000	Vessels KD'000	Furniture, equipment and computer software KD'000	Motor vehicles KD'000	Leasehold improvements KD'000	Total KD'000
Cost							
As at 1 January 2016	544	1,692	49,137	1,157	163	74	52,767
Additions	-	-	753	23	83	-	859
Disposals	-	-	-	-	(32)	-	(32)
Currency translation effects	-	-	308	(7)	(1)	(4)	296
As at 31 December 2016	544	1,692	50,198	1,173	213	70	53,890
Additions	-	-	25	37	-	-	62
Disposals	-	-	-	-	(32)	-	(32)
Currency translation effects	-	-	(523)	(2)	(3)	5	(523)
As at 31 December 2017	544	1,692	49,700	1,208	178	75	53,397
Accumulated depreciation							
As at 1 January 2016	-	1,101	10,855	1,059	144	60	13,219
Charge for the year	-	40	2,246	44	17	3	2,350
Disposals	-	-	-	-	(32)	-	(32)
As at 31 December 2016	-	1,141	13,101	1,103	129	63	15,537
Charge for the year	-	40	2,319	37	23	4	2,423
Disposals	-	-	-	-	(32)	-	(32)
As at 31 December 2017	-	1,181	15,420	1,140	120	67	17,928
Carrying amount							
As at 31 December 2017	544	511	34,280	68	58	8	35,469
As at 31 December 2016	544	551	37,097	70	84	7	38,353

The vessels have been collateralized against 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 2.8%(2016: 2.8 %) per annum. Due to banks are partially secured by investments at fair value through statement of income with a carrying amount of KD 56.54 million (2016: KD 51.89 million) (Note 5).

12. Trade and other payables

	2017 KD'000	2016 KD'000
Trade payables	**55,959**	23,404
Accrued expenses	**25,500**	19,665
Accrued staff leave	**183**	218
Provision for KFAS	**65**	51
Others	**3,608**	3,082
	85,315	46,420

13. Term loans

The term loans relate to the financing of the vessels acquired through DKHL (a subsidiary). The term loans are denominated in USD and are secured by the mortgage of the vessels (Note 10) and carries interest ranging from 1.75% to 5.32% (2016: 1.75% to 5.32%) per annum. The maturity of the loans vary from June 2019 to November 2023.

14. Provision for staff indemnity

	2017 KD'000	2016 KD'000
Balance at 1 January	**2,730**	2,181
Charge for the year	**207**	560
Payments made during the year	**(1,776)**	(11)
Balance at 31 December	**1,161**	2,730

15. Share capital

The authorized, issued and fully paid up share capital consists of 188,407,500 shares of 100 fils each (2016: 152,250,000 shares of 100 fils each), fully paid in cash.

On 19th April 2017, the Shareholders at the Extra Ordinary General Assembly meeting of the Parent Company approved to amend the Articles of Association by increasing the authorized share capital from KD 15,225,000 to KD 18,840,750, through a rights issue by issuing 36,157,500 shares at 300 fils per share (par value of 100 fils per share and a share premium of 200 fils per share). The rights issue was completed in full on 7 June 2017 and the net proceeds from issuance of new shares amounted to KD 10,694,165. The Parent Company incurred underwriting expenses of KD 153,085 which was offset against the share premium in the consolidated statement of changes in equity.

16. Legal reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait

Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration is transferred to legal reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

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 contribution to KFAS, NLST, Zakat and Board of 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 general reserve.

18. Treasury shares

	2017	2016
Number of shares	**7,620,000**	7,620,000
Percentage of issued shares	**4%**	5%
Market value (KD million)	**3.04**	2.78
Cost (KD million)	**2.77**	2.77

The Parent Company has allotted an amount equal to the treasury shares balance from the available retained earnings as of 31 December 2017. Such amount will not be available for distribution during treasury shares holding period. Treasury shares are not pledged.

19. Net interest relating to oil marketing operations

	2017 **KD'000**	2016 KD'000
Interest income	**508**	142
Interest expense	**(3,960)**	(3,734)
	(3,452)	(3,592)

20. Share in results of associates and joint venture

	2017 **KD'000**	2016 KD'000
Inpetro SARL (Note 9)	**309**	262
Arabtank Terminals Ltd. (Note 9)	**42**	343
Horizon Djibouti Holdings Ltd (Note 9)	**1,516**	1,248
Horizon Singapore Terminals Private Ltd., (Note 9)	**1,664**	1,639
Horizon Tangiers Terminals (Note 9)	**1,154**	1,119
Uniterminals S.A.L. (Note 8)	**1,050**	828
	5,735	5,439

Notes to the consolidated financial statements

For the year ended 31 December 2017

21. Investment income

	2017 **KD'000**	2016 KD'000
Unrealised gain from investments at fair value through statement of income	**5,609**	1,477
Dividend income	**12**	2,355

During the year ended 31 December 2017, the Group received a dividend of KD Nil (2016: KD 2.34 million) from Vopak Horizon Fujairah Limited (VHFL).

22. Net other (expense) / income

	2017 **KD'000**	2016 KD'000
Net foreign exchange loss	**(681)**	(130)
Interest income related to project	**-**	302
	(681)	172

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.

During 2016, the Group filed a suit against the Ministry of Finance contesting for their claim of KD 325 thousand towards Zakat for the years from 2008 to 2014. The Court of First Instance has referred the case to The Experts Department..

24. Provision for NLST

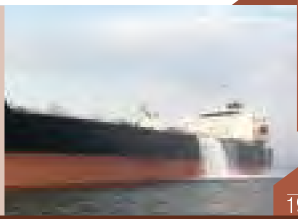
National Labor Support Tax (NLST) is calculated at 2.5% of the profit attributable to the shareholders of the Parent Company before contribution to KFAS, Zakat, and Board of Directors' remuneration, and in accordance with Law No. 19 of 2000 and Ministerial resolution No. 24 of 2006 and their Executive Regulations.

During 2006, the Parent Company had filed a suit against the Ministry of Finance contesting their claim for additional amounts towards NLST for the year from 2001 to 2004 and the Parent Company continued to calculate NLST based on the annual profit for the years from 2005 to 2017.

In October 2017, the Parent Company entered into a settlement agreement with the Ministry of Finance to pay all outstanding claims relating to NLST for the period from 2005 to 2015. According to the terms of settlement agreement, the management determined that sufficient provision existed as of 31 December 2017 to settle NLST obligations on due dates.

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:

	2017	2016
Profit for the year (KD'000)	**6,232**	5,008
Weighted average number of issued shares outstanding	**174,597,141**	156,503,824
Weighted average number of treasury shares outstanding	**(7,620,000)**	(7,620,000)
Weighted average number of shares outstanding	**166,977,141**	148,883,824
Earnings per share (fils)	**37.32**	33.64

The basic earnings per share for the comparative period presented has been restated to reflect the effect of bonus element resulting from issuance of rights issue on 7 June 2017.

26. Proposed dividends

The Board of Directors proposed a cash dividend of 30 fils per share for the year ended 31 December 2017 (2016: 30 fils per share). This proposal is subject to the approval of the Shareholders' Annual General Assembly.

27. Annual general assembly

The Shareholders' Annual General Assembly held on 19 April 2017 approved the annual audited consolidated financial statements for the year ended 31 December 2016 and dividends were declared for the year ended 31 December 2016 at 30 fils per share (2015: 25 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 2017 KD'000**	Total 2016 KD'000
1 Revenues:				
Sales	94,688	-	**94,688**	78,341
Storage expense	-	4,665	**4,665**	4,641
2 Due from / to related parties:				
Trade and other receivables	-	-	**-**	8,060
Trade and other payables	-	627	**627**	673
Others loans (Note 7)	-	706	**706**	716
3 Key management compensation				
Salaries and other short-term benefits			**872**	829
Terminal benefits			**73**	262
			945	1,091

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:

	2017				2016			
	Africa and Middle East KD'000	**Europe KD'000**	**Asia and Far East KD'000**	**Total KD'000**	Africa and Middle East KD'000	Europe KD'000	Asia and Far East KD'000	Total KD'000
Sales	**509,718**	**-**	**27,941**	**537,659**	477,370	2,437	28,330	508,137
Segment result	**8,049**	**-**	**1,728**	**9,777**	9,932	15	1,746	11,693
Unallocated corporate expenses				**(8,165)**				(8,203)
Operating profit				**1,612**				3,490
Other information:								
Segment assets	**64,641**	**-**	**-**	**64,641**	67,521	-	-	67,521
Unallocated corporate assets	**-**	**-**	**-**	**230,273**	-	-	-	217,757
Total assets				**294,914**				285,278
Segment liabilities	**10,460**	**27,946**	**17,553**	**55,959**	6,670	16,533	201	23,404
Unallocated corporate liabilities	**-**	**-**	**-**	**142,548**	-	-	-	176,150
Total liabilities				**198,507**				199,554

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

	2017 KD'000	2016 KD'000
Financial assets		
Cash on hand and at banks	**41,577**	34,891
Investments at fair value through statement of income	**58,175**	53,348
Investments available for sale	**27,123**	28,651
Trade and other receivables	**64,641**	67,521
Other loans	**706**	716
	192,222	185,127
Liabilities		
Due to banks	**94,732**	131,233
Directors' fees payable	**80**	80
Trade and other payables	**85,315**	46,420
Term loans	**17,219**	19,091
	197,346	196,824

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 exposes 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 2017, 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 0.94 million respectively (2016: profit for the year would have been increased / decreased by KD 1.25 million).

The Group's exposures to interest rates on short-term deposits, due to banks and term loans 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 stocks. 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'. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

As at 31 December 2017, if the net asset value of the managed portfolio would have increased / decreased by 5% (2016: 5%), the profit for the year would havfe increased / decreased by KD 2.83 million (2016: profit for the year would have increased / decreased by KD 2.59 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 encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities

All the financial liabilities of the Group, except for non-current portion of term loan, are due within one year. In case of the term loan KD 1.603 million (2016: KD 1.626 million) is due within one year and KD 15.62 million (2016: KD 17.47 million) is due between one and six 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 56.54 million (2016: KD 51.89 million) and quoted securities under available-for-sale investments amounting to KD 0.22 million (2016: KD 0.19 million) respective, are determined 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 2017, there were no transfers between different levels of fair value measurement.

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:

Notes to the consolidated financial statements

For the year ended 31 December 2017

		Notional amount 2017 KD'000	Notional amount 2016 KD'000	**Fair value 2017 KD'000**	Fair value 2016 KD'000
Swap contracts	Buy	**3,336**	1,329	**3,814**	1,494
Swap contracts	Sell	**6,253**	2,775	**6,834**	2,979
Future contracts	Buy	**9,423**	10,974	**9,933**	11,477
Future contracts	Sell	**9,297**	18,667	**9,833**	19,584

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 2016.

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.

	2017 KD'000	2016 KD'000
Due to banks and term loans (Note 11 & 13)	**111,951**	150,324
Less: cash on hand and at banks (Note 4)	**(41,577)**	(34,891)
Net debt	**70,374**	115,433
Total equity	**96,407**	85,724
Total capital resources	**166,781**	201,157
Gearing ratio	**42%**	57%

32. Contingent liabilities and commitments

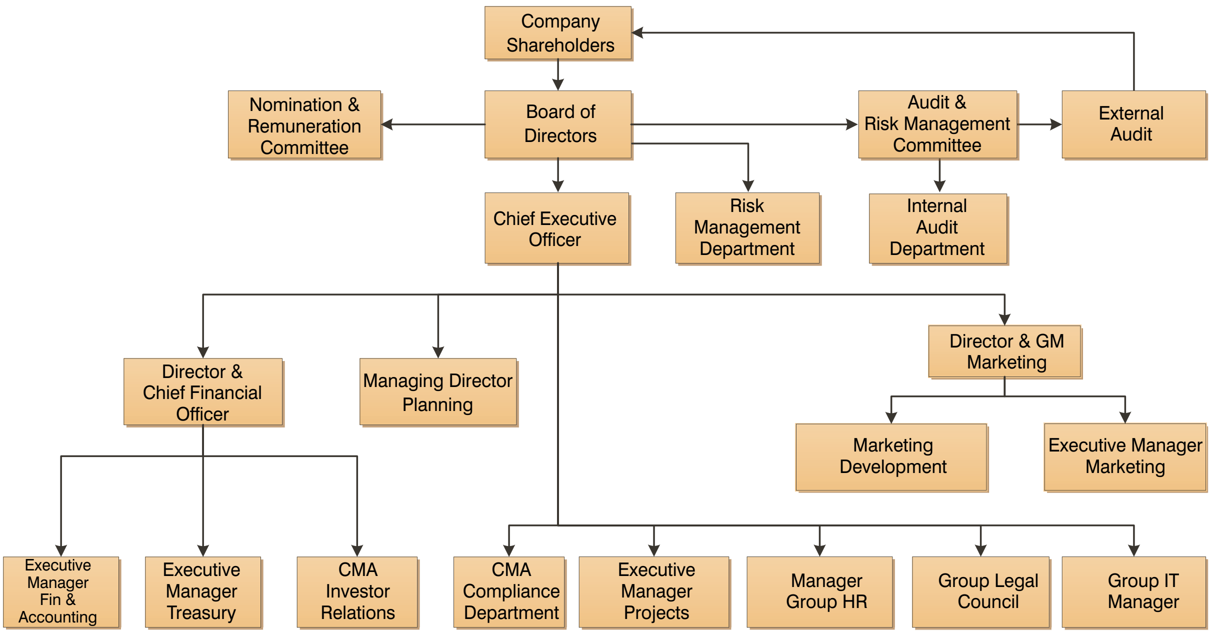
	2017 KD'000	2016 KD'000
Contingent liabilities:		
Letters of guarantee and bid bonds	**1,456**	7,674
Letters of credit	**75,738**	21,859
	77,194	29,533
Commitments:		
Investments in projects	**9,424**	4,084

CORPORATE GOVERNANCE:

Independent Petroleum Group K.S.C.P (IPG K.S.C.P), under the leadership of its Board of Directors, is fully committed to the implementation of the new rules on Corporate Governance issued by the Capital Market Authority (CMA), Kuwait. The Company's vision is to implement Corporate Governance, both in letter and spirit.

1. GOVERNANCE STRUCTURE:

The Company endeavors to promote the governance and compliance culture in all facets of the business and at all levels. The organization structure provides for sound governance practices to be reflected within its reporting lines, clear segregation of duties and independence in all the management functions of the Company. The Company's corporate governance structure is portrayed in the chart given below:



2. BOARD COMPOSITION:

The Board of Directors of the Company is a balanced one, taking into consideration the skills and expertise required for efficiently carrying out the Company's business activities. The Board consists of eight members elected by the General Assembly for a period of three years. Of these, four are non-executive, including the Chairman. The other Board members are executive members involved in the day-to-day activities of the Company.

The Board, comprising of eight members is as follows:

A. A. Khalaf Ahmad Al-Khalaf, Founder and Chairman of IPG K.S.C.P.

Joined IPG Board on September 11, 1976.
Non-executive & non-independent member

Experience:

- Ex - Minister of Electricity and Water, Government of the State of Kuwait.
- Ex - General Manager, M H Al-Shaya Company.
- Ex - Board Member, Kuwait Aviation Fueling Company.
- Ex - Board Member, Kuwait Spanish Petroleum Company.

- Ex - Board Member, Kuwait National Petroleum Company.
- Ex - Assistant Superintendent, Water and Power Stations, Ministry of Electricity and Water, Kuwait.
- Ex - Co-Director of the Water Resources Development Center, Ministry of Electricity and Water, Kuwait.
- Ex - Project Engineer, Kuwait National Petroleum Company.

QUALIFICATION:

B.Sc. Mechanical Engineering, University of New Hampshire, USA, 1964.

B. Ghazi Fahed Abdul Aziz Alnafisi, Founder and Vice-Chairman of IPG K.S.C.P.

Joined IPG Board on September 11, 1976.
Non-executive & non-independent member

Experience:

- Founder, Chairman & Managing Director of Al Salhiya Real Estate Co (Till Date).
- Member of Board of Directors of Arcapita Bank, Bahrain (Till Date).
- Vice-Chairman of of Azzad Catering & Services Company (Till Date).
- Chairman of Kuwait Hotels Owners' Association (Till Date).
- Ex - Chairman of the Board of Gulf Investment Co., Bahrain.
- Ex - Chairman & Managing Director of National Investment Company, Kuwait.
- Ex - Chairman of the Board of Kuwait Aviation Fueling Company.
- Ex - General Manager of Kuwait Aviation Fueling Company.

QUALIFICATION:

- Diploma in Aeronautical Engineering – Chelsea College, University of London, June 1965.
- Special one and half year training session on Aviation Fueling from British Petroleum.

C. Waleed Jaber Hadeed, Founder, Board Member and Chief Executive Officer of IPG K.S.C.P.

Joined IPG Board on September 11, 1976.
Executive & non-independent member

Experience:

- Ex - General Manager, International Marketing Department (London), Kuwait National Petroleum Company.
- Manager, Middle East Office (Kuwait), International Marketing Department, Kuwait National Petroleum Company.
- Manager, Far East Office (Singapore), International Marketing Department, Kuwait National Petroleum Company.

QUALIFICATION:

B.Sc. Economics and Mathematics, Central Missouri State University, USA 1967.

D. Abdullah Mohammed Akil Zaman, Founder, Board Member and Director – Planning of IPG K.S.C.P.

Joined IPG Board on September 11, 1976.
Executive & Non-independent member

Experience:

- Ex - Board Member, Kuwait Spanish Petroleum Company.
- Ex - Board Member, Kuwait Aviation Fueling Company.
- Ex - Deputy Managing Director, Planning, Kuwait National Petroleum Company.
- Ex - Manager Planning, International Marketing Department (London), Kuwait National Petroleum Company.
- Ex - Planning Department, Head Office, Kuwait National Petroleum Company.
- Ex - Systems Analyst, Kuwait National Petroleum Company.

QUALIFICATION:

BA Mathematics, University of California, Berkeley, USA, 1964.

E. Ali Mohammed AL-Radwan, Founder and Board Member of IPG K.S.C.P.

Joined IPG Board on September 11, 1976.
Non-executive & non-independent member

Experience:

- Founder and Senior Partner in The Law Bureau Ali-Radwan & Partners, Kuwait (Till Date).
- Founder & Chairman of the National and German Electrical & Electronic Services Company (Till Date).
- Deputy General Manager, Deputy Chairman & Member of the Board in Kuwait National Petroleum Company.
- Ex - Secretary General to the National Assembly & Constitution Assembly.
- Ex - Founder & Member of the Kuwait Bar Association.
- Ex - Member of the Board of Directors, Kuwait Stock Exchange.
- Ex - Member of the Board of Directors, Kuwait Oil, Gas & Energy (Kuwait Government Company).

QUALIFICATION:

- BA in law – Cairo University – 1961.

F. Ali Abdul Rahman Rashid Al-Bader, Board Member of IPG K.S.C.P.

Joined IPG Board on March 9, 2003.
Non-executive & Independent member

Experience:

- Member of Board of Directors of the Public Authority for Compensations (Kuwait).
- Member of the Higher Council for Planning and Development.
- General Manager – Al Arab Consultancies Office.
- Ex - Chairman, Gulf Bank of Kuwait.
- Ex - Member of Board of Directors of Kuwait Economic Development Fund.

- Ex - Chairman of the Board and Managing Director of Kuwait and Middle East Bank.
- Ex - Managing Director of the Public Authority for Investment (Kuwait).
- Ex - President Arab-African International Bank.
- Ex - Member of Banking Control Management, Kuwait.

QUALIFICATION:

- Master of Business Administration, Finance – Michigan State University- 1973.
- Bachelor Degree in Commerce & Accounting – Cairo University -1969.

G. Abdullah Ebrahim Ali Al-Kandari, Board Member and Chief Financial Officer of IPG K.S.C.P.

Joined IPG on March 28, 2001 & Board Member since March 03, 2010.
Executive & non-independent member.

Experience:

- Finance Manager, Independent Petroleum Group (IPG).
- Ex - Cost & Budget Coordinator, Kuwait Petroleum Corporation International Operations (KPC).
- Ex - Auditor, Anwar Al-Qatami & Grant Thornton.
- Ex - Senior Internal Auditor, Burgan Bank.
- Special 15-month training program on operation of banks with Burgan Bank.

QUALIFICATION:

- Graduated from University of Kuwait 1983.
- Graduated with Master Degree in Professional accounting from University of Miami 1986.
- Member of American Institute of Certified Public Accountants “AICPA” from Washington State – USA -1992.

H. Mohammed Abdul Hamid Mohammed Ali Qasim, Board Member and General Manager – Marketing of IPG K.S.C.P.

Joined IPG on December 5, 2004 & Board Member since March 24, 2013.
Executive & non-independent member

Experience:

- Ex - Deputy Managing Director (Sales), Kuwait Petroleum Co.
- Ex - DMD, Marketing (Planning), Kuwait Petroleum Co.
- Ex - Vice President, Kuwait Petroleum International, Kuwait.
- Ex - Board Member, Kuwait Petroleum International, KPI Aviation Co (UK) Ltd, Kuwait Petroleum Espana, Kuwait Petroleum France, Kuwait Petroleum Sweden, Kuwait Petroleum Development Thailand, KNPC (Kuwait National Petroleum Co.).
- Ex - Vice President, Refinery/Milazzo Joint Venture with AGIP.
- Ex - Chairman, Kuwait Petroleum Western Hemisphere Co., USA.
- Ex - Board Member, Kuwait Aviation Fuelling Co., Kuwait.
- Ex - Manager, Crude Oil Sales Dept., Kuwait Petroleum Corporation.
- Ex - Manager, Q8 Lubricant Sales Dept., Kuwait Petroleum Corporation.

- Ex - Manager, Sales Administration Dept., Kuwait Petroleum Corporation.
- Ex - Manager, Kuwait Petroleum Corporation (Singapore Liaison office).
- Ex - Area Sales Co-ordinator, Kuwait Petroleum Corporation.
- Ex - Assistant Manager, Tokyo Office, Japan, Kuwait Petroleum Corporation.
- Ex - Senior Sales Representative, Kuwait National Petroleum Company, London Office.
- Ex - Executive Trainee, Kuwait National Petroleum Company, Marketing Division.
- Ex - Supervisor, Bank of Kuwait and Middle East.

QUALIFICATION:

- B.Sc. in Economics - Kuwait University -1972.
- Banking Diploma - Banking Institute of Kuwait.
- Masters (International Business) – Sophia University, Tokyo, Japan-1981.

3. BOARD MEETINGS DURING 2017:

Details of meetings held by the Board during 2017 are as given below:

Name of Board Member	Meeting No. 201 Dated 12/01/2017	Meeting No. 202 Dated 13/02/2017	Meeting No. 203 Dated 06/03/2017	Meeting No. 204 Dated 09/04/2017	Meeting No. 205 Dated 09/04/2017	Meeting No. 206 Dated 26/04/2017	Meeting No. 207 Dated 14/05/2017	Meeting No. 208 Dated 10/07/207	Meeting No. 209 Dated 10/10/2017	Total Meetings Attended
Khalaf A. Al-Khalaf	✓	✓	✓	✓	✓	✓	✓	✓	X	8
Ghazi Fahad Alnafisi	✓	X	X	X	X	✓	✓	X	✓	4
Waleed J. Hadeed (Secretary to Board of Directors)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Abdullah A. Zaman	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Ali M. Al-Radwan	✓	X	X	✓	✓	✓	X	X	✓	5
Ali R. Al-Bader (Independent Member)	✓	✓	X	✓	✓	X	X	X	✓	5
Abdullah E. Al-Kandari	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Mohammed A. Qasim	✓	✓	✓	✓	✓	✓	✓	✓	✓	9

The Board's Secretary performed all the administrative and legal responsibilities of the Board of Directors. The Secretary also aided the Board members in gaining access to the required information to perform their roles, on a continuous basis, according to the Board of Directors' decision or based on discussions with the Chairman of the Board.

The minutes of all meetings held by the Board and various Board Committees are documented and signed by the members thereof.

4. BOARD OF DIRECTORS' ROLE & RESPONSIBILITIES AND ACCOMPLISHED TASKS DURING 2017:

The duties and responsibilities of every director of the Board is clearly laid out in the Charter and the delegation of authority and responsibility to the executive directors is well defined. The Company has a policy to provide accurate and timely information to the directors on a periodic basis for evaluation, review and decision-making process.

Major Role & Responsibilities:

- Approving major company goals, strategies, plans and policies.
- Approve annual budgets, quarterly and annual financial information.
- Supervising company's major capital expenditure, asset and stock ownership and disposal of the same.
- Ensuring the company's commitment to policies and procedures.
- Ensuring the accuracy and validity of the information required for disclosure.
- Establishing effective communication channels to enable shareholders' access to periodic and continuous information on the Company's activities and any other essential developments therein.
- Structuring the Corporate Governance system, its general supervision and monitoring.
- Monitoring the performance of each Board Member and Executive Management using the Key Performance Indicators (KPIs).
- Preparing the Annual Report to be presented at the General Assembly. Forming the specialized Committees as required by the regulatory bodies and defining their responsibilities, rights and obligations.
- Determining the authority delegated to the Executive Management and the decision-making process.
- Monitoring the performance of the Executive Management members and ensure that they are accomplishing all assigned roles.
- Approving succession planning.
- Setting a policy for regulating the relationship with the Stakeholders to protect their rights.
- Setting a mechanism to regulate dealings with Related Parties to avoid conflict of interest.
- Approving Key Risk Indicators, measurements and risk appetite for the company to deal with these risks.

Accomplished tasks during 2017:

- The Board reviewed existing charters to assess whether any changes are required to be carried out.
- On a regular basis, the Board followed up on the progress of the executive management in implementing various policies and procedures.
- The Board periodically reviewed the progress of various approved projects.
- The Board monitored the progress of strategy implementation through approved Key Performance Indicators.

5. BOARD OF DIRECTORS' COMMITTEES:

In discharging its duties, the Board delegates authority to relevant Board sub-committees with clearly defined mandates although the Board retains its accountability. The Board has established the following Board sub-committees to enhance its supervision and effectiveness over operations of the Company. Each committee member's expertise, skills and background were considered while forming the Committees:

a. Audit & Risk Management Committee:

The Audit and Risk Management Committees were established on 11-07-2016. On 13-07-2016, a request was placed to the Capital Market Authority (CMA) to allow the Company to merge the Audit and Risk Management Committees into one committee

to be called Audit & Risk Management Committee. This was approved by the CMA on 27-07-2016.

Scope & Activity:

The Committee is responsible to provide a culture of commitment in the company and by that, ensuring the correctness and integrity of the financial reporting of the company as well as the verification of the adequacy and effectiveness of the internal control systems applied. The Committee reports directly to the Board and will specialize in risk management, and preparing the policies & procedures for risk management function to comply with Company's risk appetite. The Company has a policy to provide accurate and timely/need based information to the Committee on a periodic basis for evaluation, review and submission of its recommendations to the Board of Directors.

When there is any inconsistency between the Committee and the Board's decisions regarding the recommendations of the internal auditor/ external auditor, the company shall incorporate the summarized details listing the reasons for the same in the corporate governance report of the Company.

The main role of the Committee includes the following:

- Review of periodical financial statements before submission to the Board of Directors.
- Allowing the external auditor to discuss his views with the Committee before submission of the annual accounts to the Board for approval.
- The study of accounting policies and principles used, their amendments and to express any opinion and recommendation to the Board of Directors in that matter.
- Reviewing the level of compliance with applicable legal requirements that are specific to them, such as CMA regulations, Commercial Companies Law and other applicable laws.
- To review the charter of the internal audit function annually and also to ensure that the internal audit function has open communications with executive management and other auditors.
- Reviewing the results of the internal audit and regulatory reports.
- Ensuring the independence of external auditor. Reviewing the scope and methodology of the proposed action plan and monitoring the performance of external auditor.
- Preparing and reviewing the strategies and policies of risk management and risk appetite.
- Evaluating the systems and mechanisms that are used to determine, measure, and monitor the risks.
- Assisting the Board in identifying and assessing the acceptable thresholds of risk.
- Reviewing and recommending the organizational structure of risk management unit.
- Reviewing deals and suggested transactions with related parties (if any).
- Reviewing the information and reports that are related to risk management and which are published in the annual report of the company.

Composition of Audit & Risk Management Committee:

- Ghazi Fahad Alnafisi (Head of the Committee)
- Ali R. Al-Bader.
- Ali M. Al-Radwan.

Meetings of the Committee:

The Committee meets on a regular basis, at least four times during the year and on a quarterly basis, or whenever the need arises, or upon the request of the head of the Committee or two of its members.

Details of meetings held by the Committee during 2017 are as given below:

Name of Board Member	Meeting No. 2 Dated 12/01/2017	Meeting No. 3 Dated 13/02/2017	Meeting No. 4 Dated 09/04/2017	Meeting No. 5 Dated 10/10/2017	Total Meetings Attended
Ghazi Fahad Alnafisi	✓	X	✓	✓	3
Ali M. Al-Radwan	✓	✓	✓	✓	4
Ali R. Al-Bader (Independent Member)	✓	✓	✓	✓	4

Key achievements of Audit & Risk Management Committee:

- Reviewed and discussed the periodical financial statements before submission to the Board.
- Reviewed and analyzed the reports submitted by the internal auditors and considered their suggestions/recommendations.
- Reviewed and discussed the risk appetite and exposure levels in the countries in which the Company operates.
- Reviewed the prevailing hedging policy of the Company to ensure its effectiveness based on the current market conditions.

b. Nomination & Remuneration Committee:

Scope & Activity:

The Committee develops policies and makes recommendations to the Board on nominations, appointment, re-appointment of BOD Members and Executive Management. The Committee supervises the implementation of remuneration policies of Board members and Executive Management. The Committee is also responsible for examining the selection and appointment practices of the Company.

The main role of the Committee includes the following:

- Recommendation to accept the nomination and re-nomination of the members of the Board and executive management.
- Developing a clear policy for the remuneration of the Board of Directors and executive management.
- Determining the right skills required for membership of the Board of Directors.
- Proposal of the nomination and re-nomination of the members of the Board to the General Assembly.
- Determining the performance evaluation mechanisms of the Board as a whole and the performance of each member of the Board and executive management.
- Encouraging the development of the skills of members of the Board on an ongoing basis.
- Periodical review of payroll and job grading.
- Overseeing the nomination procedures of Board members during the General Assembly.
- Preparing job descriptions for executive, non-executive, and independent members of the Board.
- Preparing job descriptions for executive, non-executive, and independent members of the Board.

Composition of the Committee:

- Khalaf A. Al-Khalaf (Head of the Committee)
- Ghazi Fahad Alnafisi
- Ali R. Al-Bader

Meetings of Nomination & Remuneration Committee:

The Committee meets regularly, at least once in a year and the secretary records/ documents the minutes of these meetings. The second meeting of the Committee was held on January 10, 2018 and all the members of the Committee attended it.

Key achievements of the Committee:

- Reviewed and discussed the remuneration policy adopted by the Company.
- Reviewed and approved the sitting fees payable to the Board of Directors for the year ended 2017.

Compensation paid to the Executive Management and Board of Directors:

Total value of remuneration paid to the key management including executive management for the current year 2017, given in the table below:

Particulars (Amount in KD '000)	**2017**
Salaries of Executive Management	872
Current Year Terminal Benefit Expenses	73
Directors' Sitting Fees	80
Total	**1,025**

6. COMPANY'S EXECUTIVE MANAGEMENT:

Executive management of the Company possess qualifications, skills and competencies required for fulfilling their duties and responsibilities. Major roles and responsibilities of the executive management are as follows:

- Review and discuss any ideas or proposals to the Board of Directors.
- Responsible towards the Company, its shareholders and any third party for any acts of fraud or misuse of power, for any violations of the Companies Law / contractual obligations.
- Execute all internal policies and regulations of the Company which are approved by the Board of Directors.
- Execute annual strategy and plan approved by Board of Directors.
- Prepare periodic reports (financial and non-financial) concerning the accomplishments of the Company in the light of strategic plans and goals.
- Manage daily work and facilitate activities. This is in addition to managing Company resources optimally, increasing profits and decreasing expenses in accordance with the Company goals and strategy.
- Participate effectively in ethical values, culture building and development in the company.
- Set internal audit and risk management systems and ensure efficiency and sufficiency of the same.
- Ensure adherence to the risk mitigation policy approved by the Board.

7. INTEGRITY OF FINANCIAL REPORTING:

The executive management provided the Company's Board of Directors with a written undertaking on January 24, 2018 (date of the Board Meeting) that the Company's financial reports reflected a sound and fair representation of all financial aspects of the entity and that they were prepared in accordance with the applicable International Accounting Standards.

The Annual Report submitted to shareholders by the Board of Directors includes an undertaking of soundness and integrity of all financial statements and reports related to the Company's activity.

The Audit & Risk Management Committee recommends appointment, re-appointment and replacement of the external auditors specifying the remuneration thereof to the Board of Directors. The external auditor is appointed at the Annual General Meeting based on the recommendation of the Board of Directors.

The Company accords top priority to the integrity and independence of the auditors by appointing reputed global firms which are known for their sound professional practices and ethics. Based on the above, the Audit & Risk Management Committee has recommended to the Board the reappointment of the Company's external auditors RSM Al-Bazie & Co and KPMG Safi Al-Mutawa & Partners to be presented to the Annual General Meeting (AGM) for approval in line with the CMA requirements.

The quarterly and the annual financial statements of the Company are reviewed by the Audit & Risk Management Committee and Board of Directors before submission to the external auditors.

8. INTERNAL CONTROL:

The company has an internal control system to ensure that all tangible and intangible resources are directed, monitored, measured and protected in an effective manner.

The internal control process adopted by the Company's Board of Directors and executive management is designed to provide reasonable assurance regarding the achievement of following objectives:

- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.
- Detection and prevention of errors and irregularities in a timely manner.

As required by CMA regulations, an independent external firm completed the review of the Internal Controls and submitted their report (ICR) for the year 2016, the ICR report was submitted to CMA before 31 March 2017.

9. INTERNAL AUDIT FUNCTION:

The company has nominated an Internal Audit head and appointed an independent external firm of professional accountants to perform the internal audit function in the Company. The objective of the Internal Audit Department is to provide an assurance over the operational effectiveness of the system of internal controls and implementation of Company's policies & procedures through periodic reporting on various findings. The Internal Audit Function reports directly to the Audit & Risk Management Committee.

During the year the Internal audit was performed as per the Internal audit plan and the reports were finalized and submitted to the Audit & Risk Management committee periodically.

10. RISK MANAGEMENT FUNCTION:

The Company has a separate risk management department operating under the direct supervision of the Board of Directors to identify, measure and monitor risks associated with the Company's activities. Risk management function includes the methods and processes used to manage risks and seize opportunities related to the achievement of their objectives. It provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the Company's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities, the Company protects and creates value for its stakeholders, including owners, employees, customers, regulators, and society overall.

The Company has identified Financial and Operational risk as a major risk requiring continuous monitoring and review.

11. CODE OF CONDUCT AND ETHICAL STANDARDS:

The Company has a comprehensive policy on professional and ethical standards of conduct that should be followed by all members of the Board of Directors and employees in their field of work regardless of the place and work circumstances. The Company stands committed to the highest degree of ethical standards representing the basic values and principles of the Code of Conduct. The Charter on Code of Conduct & Ethical Standards of the Company has been formulated to address the following values:

- Respect.
- Financial integrity & honesty.
- Diversity & equal opportunities.
- Health & safety.

12. DISCLOSURE & TRANSPERANCY:

The Company has an approved policy on disclosure & transparency that outlines the disclosure procedures commensurate with the legal and ethical requirements. The Company submits adequate and accurate disclosures to its stakeholders in line with the regulatory and legal requirements to fulfill its objectives of transparency. This policy is to be used as a reference for the departments' personnel to carry out their daily tasks. Strict adherence to this policy ensures conforming, at all times, to the laws and regulations in the State of Kuwait ("Kuwait"). In the event of any conflict or difference between the provisions of this policy and the provisions of the laws and regulations in Kuwait, the regulatory requirements will take precedence over the provisions of this policy.

The Charter addresses the following major aspects in relation to the Company's Disclosure & Transparency function:

- Providing Information to the Stakeholders
- Rules & Regulations applicable for the parties who have access to Company's insider information
- Disclosure of Company's information to the general` public

- Insider Information
- Interested Parties

The shareholders' register is maintained by the Kuwait Clearing Company that provides accurate information on the shareholding structure at any given point of time enabling continuous follow-up of shareholding data. The Company endeavors to maintain close relationship with its shareholders and encourages them to attend and participate constructively in all discussions at the shareholders' meeting. Agenda for Annual General Meeting is communicated to the Shareholders through insertions in major local dailies.

Conflict of Interest:

The Company exerts due care in applying policies to avoid conflict of interest. The Company has an approved policy to review all related party transactions on a regular basis to ensure fair practices and behavior from Board members and personnel. The Board monitors and addresses any probable interest that will conflict with the business interests of the Company adversely.

Investor Relations:

The Company's unit of investors' affairs is responsible for ensuring effective communication with shareholders in line with the approved policy. The Company communicates with shareholders through the Annual Reports & Accounts and by providing information in advance of the Annual General Meeting.

13. PROTECTION OF SHAREHOLDERS' RIGHTS:

The Company is committed to protect the rights of its shareholders. The approved policy on shareholders' rights aims to ensure the Company's commitment to guard the rights of its shareholders in accordance with the laws and other pertinent regulations. The provisions of this policy provide strict guidelines to the Company as a whole, Board of Directors, executive management, and employees in order to protect the shareholders' rights. The head of Committee and Compliance Department in coordination with the Secretary of the Board of Directors is responsible to apply this policy.

The Company endeavors to protect the shareholders' rights, which include the following:

- Ensuring the agreed-upon share in dividends.
- Provision of proportionate share in the Company's assets in case of liquidation.
- Providing data and information related to shareholders on the Company's activities, operations and investment strategy on a regular basis.
- Participation in the General Assembly meeting of shareholders and voting on its decisions.
- Right to get the financial statements for the financial period elapsed as well as the report of the Board of Directors and the auditor's report.
- Timely information on Board of Director's Election.
- To issue a liability claim on the members of the Board or executive management, in case of their failure to perform the tasks assigned to them.
- Candidacy for membership of the Board of Directors.

Major Shareholders:

The major shareholder(s) who own or have control over 5% or more of the Company's share capital as at 31st December 2017 are:

Full Name	Percentage %
Markaz Energy Fund	8.487
Kuwait Financial Center K.P.S.C., Customer 1	7.467
Ghazi Fahad Alnafisi	7.152
Al Ahlia Insurance	6.755
Ali Mohammad Al-Radwan & Group (Ali Al-Radwan & Sons General Trading Co.)	5.175

14. RECOGNITION OF THE ROLE OF STAKEHOLDERS:

The Company is fully responsible to safeguard stakeholders' rights and create steady work environment by ensuring the entity's sound financial position. As part of the Corporate Governance framework, protection of Stakeholders' policy is developed to ensure respect and protection of stakeholders' rights according to laws and regulations issued by the relevant regulatory authorities in Kuwait. The policy applies to the Company, Board of Directors, Executive Management and all employees who have a role in protecting stakeholders' rights in the Company. If there is any conflict between the provisions of this policy and any regulatory requirements, always the regulatory requirements will take precedence over the provisions of this policy. The Head of Compliance department is responsible to monitor the implementation of this policy on behalf of the Company. Company's policy on protection of stakeholders' rights recognizes all the interested parties as Stakeholders, including, the shareholders, regulatory authorities, customers, employees, suppliers, third parties, etc.

The Board of Directors assumes the following main responsibilities to protect the rights of Company's stakeholders:

- Appointing competent Executive Management
- Supervision of the Company's affairs effectively and efficiently
- Adopting effective policies
- Awareness of the condition and performance of the Company
- Maintaining adequate capital for the Company
- Compliance with laws, regulations and instructions

The Company ensures the following to its stakeholders to protect their rights:

- All the stakeholders are treated fairly and without discrimination
- Strict review of the transactions carried out by the Company with related parties (if any) and providing appropriate recommendations to the BOD.
- Providing reliable and adequate information to the stakeholders on a continuous basis.
- Periodic reporting to the BOD on grievances (if any) of the stakeholders.

Insider Information:

The policy on insider information is aimed at preventing employees, members of the Board and the Executive Management from using such information for personal benefit. A declaration has been obtained from the company's insiders acknowledging that they are aware of the consequences arising out of any misuse of the insider information.

Whistle Blowing Policy:

Whistleblowing Policy deals with the Company's obligation to provide an environment for exchange of positive communication between the Board, Executive Management and staff for achieving high standards of professionalism and integrity. This policy aims at detecting any practices that fall out of the scope of laws, regulations and sound professional behavior to be remedied on a timely basis. It also provides confidentiality and ensures full protection to the whistle blower.

15. ENCOURAGING AND ENHANCING THE PERFORMANCE OF BOARD MEMBERS AND EXECUTIVE MANAGEMENT:

The Company has developed Key Performance Indicators for evaluating the performance of the Board of Directors and as well as the performance of each Board member and executive management. Enhancing the value of stakeholders is the primary objective behind developing these performance indicators for each category stated above.

The Company endeavors to arrange meetings with international banks and all major counterparties besides encouraging participation in all important summits and conferences to ensure that the Directors and the Executive Management are kept abreast of all developments in various facets of business and markets.

The Board of Directors strongly believes that the employees are the real pillars of the Company's growth and places a lot of emphasis on investment in employees in the form of training, skill development and participation in educative seminars and conferences to promote employee development, increased job satisfaction and commitment towards the Company.

16. SOCIAL RESPONSIBILITY POLICY:

The Company is committed to align its work and strategy with responsibility towards the environment, community and major stakeholders. The purpose of this Policy is to guide the Company in its administration of social responsibility, including the achievement of sustainable development for the community and workers by contributing towards reducing the level of unemployment in the community and achieving optimum utilization of available resources. The Company also endeavors to enhance the knowledge and awareness of its employees on the importance of social responsibility programs through various staff outreach programs and communication tools.

The Company is planning to initiate various social responsibility programs under the following major areas:

- Responsibility towards society
- Protecting the environment
- Provision of healthy and efficient working environment for its employees at all the levels
- Other social responsibility endeavors including donations to other genuine social security initiatives, charity events, learning programs etc.