المجموعة البترولية المستقلة ش.م.ك.ع.

Independent Petroleum Group K.S.C.P.

ANNUAL REPORT 2018

42 Years Since 1976

المجموعة البترولية المستقلة ش.م.ك.ع.
IPG Independent Petroleum Group K.S.C.P.

OUR OFFICES

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ANNUAL REPORT 2018

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

Contents

Report of the Board of Directors for 2018

Message to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 42nd Annual Report and consolidated financial statements to the Shareholders of IPG for the year 2018.

I would like to take this opportunity to thank everyone who contributed to IPG's strong performance from our shareholders to staff members and to all sectors associated with the Group.

IPG's ability to face the changes and challenges throughout the years bears witness to its commitment to endeavor to succeed in the future.

During 2018, the oil market witnessed a sharp price variance for Brent crude of over 36 $/bbl, from a high of 86.74 $/bbl on October 3rd to a low of 49.93 $/bbl on December 26th. The year began with market forecasts of growth and uncertainty on whether production levels would meet demand. By mid year, with impeding sanctions and the threat of supply disruptions, market predictions were for 100 $/bbl crude oil . But as we neared the end of the year, all this was reversed. Markets showed a slowdown in growth and that there was over production in crude which led to a slide in crude oil prices to the lowest it has been in 2018. The financial markets were also not spared this volatility ending at levels not seen for a decade.

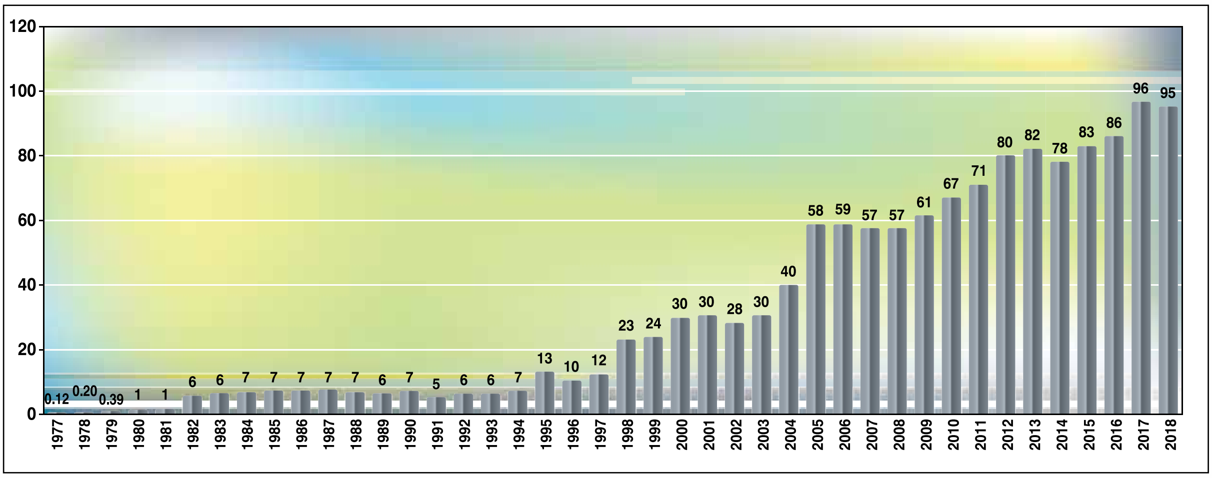
I am pleased to announce that IPG's performance during 2018 was commendable. We achieved a net profit of **6.148 million KD,** equivalent to **34 fils** per share. This was despite the poor performance in the international financial sector.

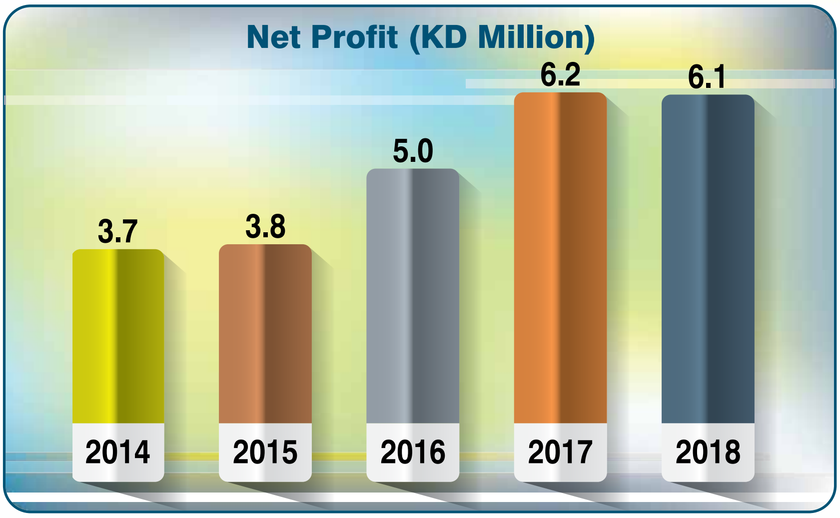
IPG plans to continue with its approach of minimizing risk and improving margins paving the way for continued strength and sustainability.

Finally, the Board of Directors express their thanks and appreciation to all shareholders for their confidence and to the employees for their hard work and commitment to IPG.

Khalaf Ahmed Al-Khalaf
Chairman

IPG's Equity Movement (KD Million)





SUMMARY OF THE IPG'S RESULTS FOR 2018

MARKETING

The oil markets were erratic and volatile during 2018 and competition remained resilient. However, IPG managed to achieve trading volumes of 3.6 million tons in 2018 compared to 3.4 million tons in 2017. There were increased sales volumes to Morocco, the Red Sea and East Africa where a substantial amount of IPG business is based. Efforts are continuing to consolidate our position in these areas by recruiting additional staff and widening the baseload of customers.

(a) Trading activities in the Gulf and Red Sea

Sales and purchases in the Gulf and Red Sea region ranked high with about 1.5 million tons traded. This represented about 40% of IPG's total volumes. Yemen and Djibouti were some of the major outlets.

(b) Trading activities in The Mediterranean Region

The Mediterranean region recorded over 1 million tons of product traded. It accounted for about 32% of the total volumes; Morocco and Lebanon being the major outlets.

(c) Trading activities in East Africa

Nearly 1 million ton were shipped to East Africa. The major outlets were Zimbabwe, Malawi and Zambia.

(d) Trading activities in India/Far East

In 2018 there were reduced activities in the Far East. IPG is presently restructuring its activities in this region.

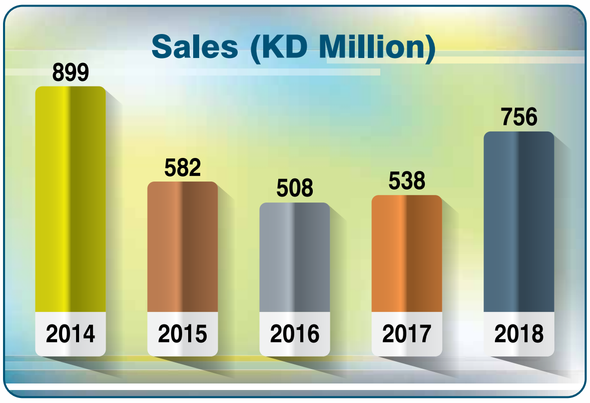
(e) Storage of Petroleum Products

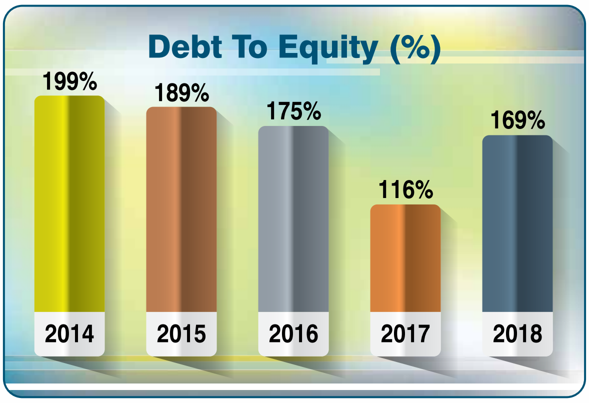
Out of a total capacity of 5.2 million cubic which IPG holds in partnership with others, IPG's share is about 1 million cubic meters. The total volume of products stored and utilized by IPG in these oil terminals was about 900,000 metric tons in 2018. IPG is taking steps to increase storage capacities in Morocco and Mozambique due to increased trading activities.

Shipping

2018 was a difficult year for shipowners. As a result, we have seen some consolidations with various owners joining or pooling together. Many are finding it difficult to cope with the 2020 low Sulphur Bunker fuel regulations regarding pollution.

During 2018, one hundred thirteen (113) 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 shipped reached 3,7 million tons. Abdul Razzaq Al Khalid and Al Betroleya were chartered out. The other vessels namely D&K Yousef and D&K1 shipped about 525 thousand tons.





Risk Management

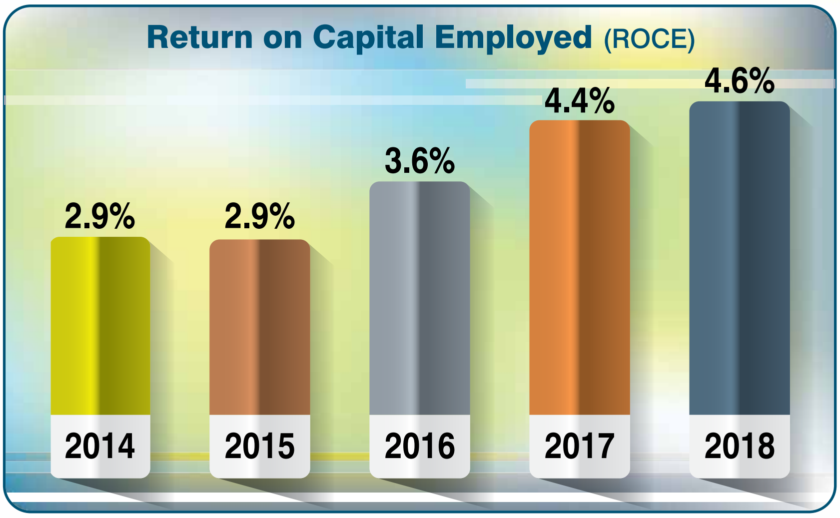
Risk Management Team (RMT) serves as a cohesive desk for all the physical trades concluded by IPG Marketing. The desk works independently and regulates the price risk exposure on the volumes traded. One of IPG's trading activities is sales from stored barrels. RMT provides support on potential derivative possibilities in the market which Marketing could use to take timely decisions.

The team is also engaged in analyzing the technical and fundamentals of oil price movement and to advise the Marketing team on any potential advantages or concerns on physical trades.
RMT is governed by a Corporate Hedge Policy constantly monitoring all trades and also provide exclusive performance reports for top management.

Business Development

During 2018, in line with IPG's Corporate Strategy and in its endeavour to support IPG's trading operations, the Business Development & Projects Department (BD) followed up with improvements of existing terminal facilities and development of new projects in strategic markets. BD is actively involved in the execution of operational improvements of terminal facilities and tank conversion in Yanbu-KSA as well as project management in the construction of new terminal facilities in the Ports of Beira and Matola in Mozambique.

In Yanbu-KSA (ATT), BD managed to partially commission the terminal improvement project in coordination with the terminal managers. Enhancement in the facilities for providing a chemical storage capacity of 45,000 cubic meters. is also underway. In Mozambique, along with its partners, implementation of two projects is continuing. Based on the current project schedule, it is expected that the project Beira (65,000 cubic meters) will be commissioned in Q4 of 2019 and Matola (66,000 cubic meters) in Q1 2020.
In addition, BD is exploring different cooperation models with its partners to augment its business growth and development in our strategic markets.



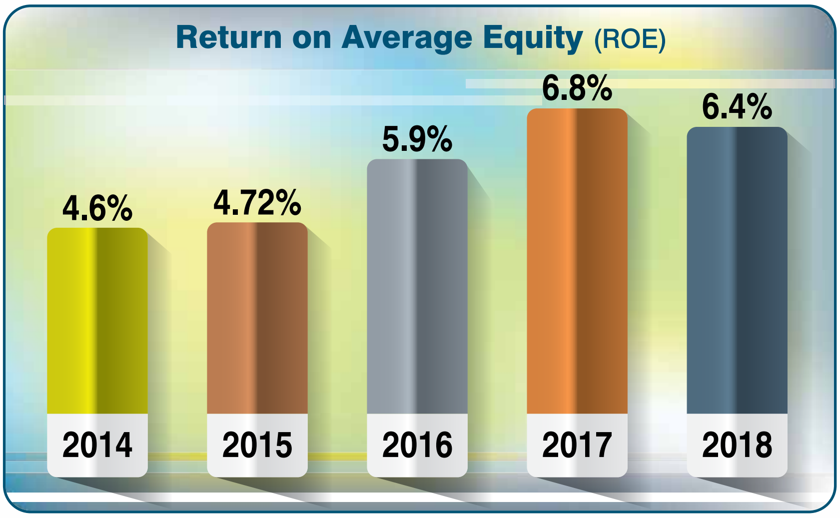
Finance & Treasury

The finance department continued providing the full support to the group to meet the financial liquidity requirements of its international operations and to support the participation for its international oil bids to supply the group's customers with a competitive and flexible pricing of petroleum products.
The department continues to establish new relationships with new banks locally and internationally to obtain additional funding required to meet current and future financial needs.

Human Resources

IPG has from the beginning taken a strategic decision to be an effective competitor in bringing in the highest possible number of young Kuwaitis to train and develop them to assume senior levels in management and leadership.

During 2018, nine (9) new employees were recruited, bringing the total staff to 135. At the end of 2018, the percentage of Kuwaitis reached 18% of the total workforce in Kuwait office.



Information Technology (IT)

In accordance with the new security requirements set by SWIFT, the worldwide payment system used by banks and large financial institutions for money transfers, IPG upgraded all related hardware and software to the latest required versions. In addition, we installed and configured our new smart building infrastructure systems (CCTV cameras, Biometric access, video conference, etc). We have also enhanced the policies and procedures for our security systems and upgraded our virtual server's environment VMware to ensure a smooth running of IPG systems.

Legal

IPG maintains its strategy to adopt a commercial approach based both on diligence and sound trading. The Legal Department has retained the services of top-tier law firms in the World to assist in providing legal advice to all IPG's divisions, thus minimising the risk of any legal exposure.

The Board of Directors approved the audited financial statements as of 31 December 2018 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 31/12/2018 to the registered shareholders on the date of the AGM.

2 - Approving the remuneration to the Board of Directors for the financial year ended 31/12/2018 amounting to KD 80,000 (KD Eighty thousand)

3 - Election of the Board of Directors for the next three years (2019-2021)

Where these recommendations are subject to approval by the competent official authorities and ordinary General Assembly.

IPG'S SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES

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

D&K Holdings LLC is the shipping arm of IPG. The Company owns and operates 4 petroleum product vessels which are fully utilized by IPG. The D&KH fleet will provide IPG with the required strategic controlled tonnage coverage.

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

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

Other Shareholder is:

- Unihold SAL, Lebanon

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

Inpetro owns and operates petroleum products storage terminal in Port Beira, Mozambique with a storage capacity of 95,000 cubic meters constructed in 2006 at a total capital cost of US $26 million. By Shareholding, IPG's capacity is 38,000 cubic meters.

Other shareholders are:

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

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

ATT owns and operates a storage facility of 288,300 cubic meters of which 268,500 cubic meters is for petroleum products and 19,800 cubic meters is for chemical products with a total capital cost of US$ 74 million along with a pipeline connection (three 16" lines) to Samref Refinery, Yanbu .To improve the operational efficiency and flexibility of the terminal, Phase III Infrastructure Project (for new facilities like new pipelines & pumps, access to the new Berth, etc.) at a total cost of US$ 14 million is partially commissioned in the beginning of 2018 and the remaining works of 24" line connection to berth is expected to be commissioned in Q1 2019. Followed by the signature of a Development Agreement with a Saudi Petrochemical Company to provide Chemical storage of 45,000 cubic meter capacity under a 20-year storage commitment, ATT awarded the EPC Contract for the scope of works (tank conversion, pipelines, pumps, MLAs, etc.) and commissioning is expected at the end of 2019. By Shareholding, IPG's capacity is 105,230 cubic meters.

Other shareholders are:

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

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

HTTSA owns and operates a storage and bunkering terminal of 533,000 cubic meters for clean and black petroleum products at Port Tangiers, Morocco under a 25 year Concession Agreement with TMSA (Agence Spéciale Tanger Méditerranée). The capital cost of the terminal is € 140.5 million. By Shareholding, IPG's capacity is 173,199 cubic meters

Other Shareholders are:

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

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

HDHL owns 90 % of the Horizon Djibouti Terminals Limited (HDTL), with the remaining (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 cubic meters constructed at a capital cost of US $100 million. By Shareholding, IPG's capacity is 74,200 cubic meters.

Other Shareholders are:

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

7. Horizon Singapore Terminals Pty. Ltd. (HSTPL)– Singapore: (IPG share 15% - Associate Company)

HSTPL owns and operates an independent petroleum storage terminal with a storage capacity of 1.2 million cubic meters 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)

VHFL owns and operates an independent petroleum products storage terminal in Fujairah, U.A.E. with a storage capacity of 2.6 million cubic meters 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 289,860 cubic meters.

Other Shareholders are:

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

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

APL owns and operates an 82 Kilometer petroleum products pipeline (including a pumping station and storage facility) in Pakistan. The pipeline runs from Zulfiqarabad terminal at Pipri, Karachi to Hub, Baluchistan to transport Fuel Oil for HUBCO Power Plant. The facility was constructed at a total capital cost of US $100 million.

Other Shareholders are:

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

Financial Highlights

	2014	2015	2016	2017	2018
Sales (KD Million)	899	582	508	538	**756**
Gross Margin	0.5%	1.0%	1.5%	1.4%	**2.0%**
Operating Profit (KD Million)	2.3	3.0	3.5	1.6	**8.8**
Net Profit (KD Million)	3.7	3.8	5.0	6.2	**6.1**
Earning Per share (Fils)	25.60	26.20	34.63	37.32	**34.01**
Price Earning (Times)	15.04	10.69	10.54	10.69	**11.79**
Book value/Share (Fils)	538	573	593	533	**525**
Cash Dividend	25%	25%	30%	30%	**30%**
Dividend Yield	6.5%	8.9%	8.2%	7.5%	**7.5%**
Total Assets (KD Million)	293	269	285	295	**330**
Shareholders Equity (KD Million)	77.8	82.9	85.7	96.4	**94.9**
Return on Average Equity	4.6%	4.7%	5.9%	6.8%	**6.4%**
Return on Average Capital Employed	2.9%	2.9%	3.6%	4.4%	**4.6%**

Independent Auditors' Report
and
Consolidated Financial Statements

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KPMG

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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 2018, 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 ("the 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.

The Key audit matter	How the matter was addressed in our audit
Investments at fair value through other comprehensive income Investments in Vopak Horizon Fujairah Limited and Asia Petroleum Limited ("investees") amounting to KD 24.15 million, classified as investments at fair value through other comprehensive income are fair valued using the 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 these investments 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 • Evaluated 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 from the investees 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 2018 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.

KPMG RSM

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 ISA 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 ISA, 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 2018 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..

Kuwait: 4 February 2019

Consolidated statement of financial position

For the year ended 31 December 2018

	Notes	2018 KD'000	2017 KD'000
ASSETS			
Current assets			
Cash on hand and at banks	4	**66,061**	41,577
Trade and other receivables	6	**77,925**	64,641
Inventories		**36,300**	33,307
Investments at fair value through statement of income	5	**54,201**	58,175
Investments at fair value through other comprehensive income	5	**2,534**	-
Total current assets		**237,021**	197,700
Non-current assets			
Investments available for sale	5	**-**	27,123
Investments at fair value through other comprehensive income	5	**24,157**	-
Investment in joint venture	8	**4,984**	4,706
Investment in associates	9	**30,060**	29,210
Property and equipment	10	**33,434**	35,469
Other loans	7	**710**	706
Total non-current assets		**93,345**	97,214
Total assets		**330,366**	294,914
LIABILITIES AND EQUITY			
Current liabilities			
Due to banks	11	**145,100**	94,732
Trade and other payables	12	**73,231**	85,315
Current portion of term loans	13	**1,626**	1,603
Directors' fees payable		**80**	80
Total current liabilities		**220,037**	181,730
Non-current liabilities			
Non-current portion of term loans	13	**14,073**	15,616
Provision for staff indemnity	14	**1,354**	1,161
Total non-current liabilities		**15,427**	16,777
Total liabilities		**235,464**	198,507
Equity			
Share capital	15	**18,841**	18,841
Share premium	15	**29,665**	29,665
Legal reserve	16	**8,912**	8,267
General reserve	17	**606**	606
Fair value reserve	5	**22,258**	24,854
Foreign currency translation adjustments		**(2,281)**	(1,942)
Treasury shares reserve		**1,429**	1,429
Treasury shares	18	**(2,770)**	(2,770)
Retained earnings		**18,242**	17,457
Total equity		**94,902**	96,407
Total liabilities and equity		**330,366**	294,914

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

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

Consolidated statement of income

For the year ended 31 December 2018

	Notes	**2018 KD'000**	2017 KD'000
Sales	19	**755,517**	537,659
Cost of sales		**(740,439)**	(530,177)
Gross profit		**15,078**	7,482
Net interest relating to oil marketing operations	20	**(4,496)**	(3,452)
Net results of oil marketing operations		**10,582**	4,030
Share in results of associates and joint venture	21	**5,529**	5,735
Dividend income	22	**1,350**	12
Unrealised (loss) / gain from investments at fair value through statement of income	22	**(2,853)**	5,609
General and administrative expenses		**(1,563)**	(1,422)
Staff costs		**(4,887)**	(4,320)
Depreciation	10	**(2,249)**	(2,423)
Net other income / (expense)	23	**545**	(681)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' fees		**6,454**	6,540
Contribution to KFAS	24	**(65)**	(65)
Contribution to NLST	25	**(161)**	(163)
Directors' fees		**(80)**	(80)
Profit for the year		**6,148**	6,232
Earnings per share (fils)	26	**34.01**	37.32

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

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	2018 KD'000	2017 KD'000
Profit for the year	**6,148**	6,232
Other comprehensive loss:		
Items that will not be reclassified subsequently to statement of income		
Changes in fair value of investments at fair value through other comprehensive income	**(3,333)**	-
Items that may be reclassified subsequently to statement of income		
Changes in fair value of investments available for sale	**-**	(1,512)
Foreign currency translation adjustments	**(339)**	(392)
Other comprehensive loss for the year	**(3,672)**	(1,904)
Total comprehensive income for the year	**2,476**	4,328

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

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Independent Petroleum Group K.S.C.P.

Consolidated statement of changes in equity

For the year ended 31 December 2018

	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 2018	18,841	29,665	8,267	606	24,854	(1,942)	1,429	(2,770)	17,457	96,407
Adjustment on initial application of IFRS 9 (Note 2 (b))	-	-	-	-	737	-	-	-	705	1,442
Adjusted balance at 1 January 2018	18,841	29,665	8,267	606	25,591	(1,942)	1,429	(2,770)	18,162	97,849
Total comprehensive (loss) / income for the year										
Profit for the year	-	-	-	-	-	-	-	-	6,148	6,148
Other comprehensive loss	-	-	-	-	(3,333)	(339)	-	-	-	(3,672)
Total comprehensive (loss) / income for the year	-	-	-	-	(3,333)	(339)	-	-	6,148	2,476
Transactions with the shareholders, recognised directly in equity										
Dividends for 2017 (Note 28)	-	-	-	-	-	-	-	-	(5,423)	(5,423)
Transfer to legal reserve	-	-	645	-	-	-	-	-	(645)	-
Balance at 31 December 2018	18,841	29,665	8,912	606	22,258	(2,281)	1,429	(2,770)	18,242	94,902

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

Consolidated statement of changes in equity

For the year ended 31 December 2018

	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 2017	15,225	22,587	7,613	606	26,366	(1,550)	1,429	(2,770)	16,218	85,724
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	-	-	6,232	6,232
Other comprehensive loss	-	-	-	-	(1,512)	(392)	-	-	-	(1,904)
Total comprehensive (loss) / income for the year	-	-	-	-	(1,512)	(392)	-	-	6,232	4,328
Transactions with the shareholders, recognised directly in equity										
Increase in share capital (Note 15)	3,616	7,078	-	-	-	-	-	-	-	10,694
Dividends for 2016	-	-	-	-	-	-	-	-	(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 2018

	Notes	2018 KD'000	2017 KD'000
Cash flows from operating activities			
Profit for the year before provisions for contribution to KFAS, NLST, Zakat and Directors' fees		**6,454**	6,540
Adjustments for:			
Interest expense	20	**5,422**	3,960
Share in results of joint venture and associates	21	**(5,529)**	(5,735)
Dividend income	22	**(1,350)**	(12)
Provision for staff indemnity	14	**378**	207
Depreciation	10	**2,249**	2,423
Unrealised loss / (gain) from investments at fair value through statement of income	22	**2,853**	(5,609)
Interest income	20	**(926)**	(508)
		9,551	1,266
Changes in operating assets and liabilities:			
- Trade and other receivables		**(13,263)**	3,016
- Inventories		**(2,993)**	(4,303)
- Trade and other payables		**(12,580)**	38,611
Cash (used in) / generated from operations		**(19,285)**	38,590
Payment of staff indemnity	14	**(185)**	(1,776)
Interest received		**905**	372
Payment to KFAS		**(65)**	(51)
Directors' fees paid		**(80)**	(80)
Net cash (used in) / generated from operating activities		**(18,710)**	37,055
Cash flows from investing activities			
Decrease in other loans		**-**	10
Purchase of property and equipment	10	**(26)**	(62)
Dividends received		**5,355**	4,120
Net cash generated from investing activities		**5,329**	4,068
Cash flows from financing activities			
Increase / (decrease) in due to banks		**50,368**	(36,501)
Repayment of term loans		**(1,520)**	(1,871)
Dividends paid	28	**(5,423)**	(4,339)
Interest paid		**(5,087)**	(3,853)
Proceeds from issuance of shares	15	**-**	10,694
Net cash generated from / (used in) financing activities		**38,338**	(35,870)
Effect of foreign currency translation		**(473)**	1,433
Net increase in cash on hand and at banks		**24,484**	6,686
Cash on hand and at banks at beginning of the year		**41,577**	34,891
Cash on hand and at banks at end of the year	4	**66,061**	41,577

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

Notes to the consolidated financial statements

For the year ended 31 December 2018

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 31 December 2018, the Group has 136 employees (2017: 135 employees).

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on 4 February 2019. 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 2018

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 it's 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 at fair value through other comprehensive income;
- 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, 2018:

b Changes in accounting policies

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application i.e. 1 January 2018. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not been applied to comparative information.

IFRS 9- Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

Notes to the consolidated financial statements

For the year ended 31 December 2018

i. Classification and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 KD'000	New carrying amount under IFRS 9 KD'000
Cash on hand and at banks	Loans and receivables, carried at amortised cost	Financial assets carried at amortised cost	41,577	41,577
Trade and other receivables	Loans and receivables, carried at amortised cost	Financial assets carried at amortised cost	64,641	64,641
Managed portfolios	Investments at fair value through statement of income.	Investments at fair value through statement of income.	56,542	56,542
Securities (a)	Investments at fair value through statement of income.	Investments at fair value through other comprehensive income.	1,633	2,370
Quoted securities (b)	Investments available for sale.	Investments at fair value through statement of income.	222	222
Unquoted securities (c)	Investments available for sale, carried at fair value.	Investments at fair value through other comprehensive income.	26,901	27,606

a. Under IFRS 9, the Group elected to designate its investment in Weinig International AG (Security) at FVOCI. The Group intends to hold this security for the long term strategic purposes. As a result, the Group reclassified the above said Security from fair value through statement of income to FVOCI at the date of initial application of IFRS 9. Further, the Group has fair valued its investment in the Security and consequently recognised a fair value gain of KD 737 thousand in fair value reserve as at 1 January 2018.

b. Under IAS 39, equity securities were classified as available for sale investment because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been reclassified to FVTPL under IFRS 9.

c. On the date of initial application of IFRS 9, the Group has fair valued its investment in APL, previously carried at cost under IAS 39, and recognised a fair value gain of KD 705 thousand in opening retained earnings as at 1 January 2018.

Notes to the consolidated financial statements

For the year ended 31 December 2018

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9, on transition date i.e. 1 January 2018.

	IAS 39 carrying amount at 31 December 2017 KD'000	**Reclassification KD'000**	**Re-measurement KD'000**	**IFRS 9 carrying amount at 1 January 2018 KD'000**
Cash on hand and at banks	41,577	-	-	41,577
Trade and other receivables	64,641	-	-	64,641
Managed portfolios	56,542	-	-	56,542
Securities	1,633	(1,633)	-	-
Brought forward at investment at fair value through statement of income				
Carried forward at investment at fair value through other comprehensive income	-	1,633	737	2,370
Quoted securities	222	(222)	-	-
Brought forward investments available for sale				
Carried forward investments at fair value through statement of income	-	222	-	222
Unquoted securities	26,901	(26,901)	-	-
Brought forward at available for sale				
Carried forward investments at fair value through statement of income	-	26,901	705	27,606
	191,516	-	1,442	192,958

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the accounting of impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that entity expects to receive on all its financial assets, except for FVOCI, discounted using effective interest rate. The Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The calculation factors into all credit enhancements such guarantees, historical credit loss experience, forward-looking factors specific to the debtors and the economic environment. The adoption of the ECL requirements of IFRS 9 has not resulted in any significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2018

The following table summarise the impact of IFRS 9 on the Group's financial statements, as discussed above, as at 1 January 2018:

	Balances previously reported 31 December 2017 KD'000	Impact of adoption of IFRS 9 1 January 2018 KD'000	Restated balances 1 January 2018 KD'000
Current assets			
Investments at fair value through statement of income	58,175	(1,411)	56,764
Investments at fair value through other comprehensive income	-	2,370	2,370
	58,175	959	59,134
Non-current assets			
Investments available for sale	27,123	(27,123)	-
Investments at fair value through other comprehensive income	-	27,606	27,606
	27,123	483	27,606
Equity			
Fair value reserve	24,854	737	25,591
Retained earnings	17,457	705	18,162
	42,311	1,442	43,753

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, 2018 and not early adopted by the Group:

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. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17.

However, as the management is still in the process of assessing the full impact of the application of IFRS 16 on the Group financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management completes the detailed review.

Amendments to IAS 28 – Investment in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

Notes to the consolidated financial statements

For the year ended 31 December 2018

c) Basis of consolidation

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

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

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

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

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

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

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

Name of subsidiary	Country of incorporation	Principal activities	Percentage of holding (%)	
			2018	2017
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. (DKHL)	United Arab Emirates	Holding Company for subsidiaries in shipping	100%	100%

d) 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.

e) 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.

f) *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset- Policy applicable from 1 January 2018

Classification and subsequent measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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.

Business model assessment

The Group determines the business model at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis and are measured at FVTPL. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Notes to the consolidated financial statements

For the year ended 31 December 2018

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss;

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in the consolidated statement of income when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and receivables, other loans to an associate and cash on hand and at banks.

Cash and cash equivalents includes cash in hand and at 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.

Notes to the consolidated financial statements
For the year ended 31 December 2018

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in FVOCI. Equity instruments designated at FVOCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

The Group classifies investments in quoted equity and debt investments under financial assets at FVTPL in the consolidated statement of financial position.

Financial assets - policy applicable before 1 January 2018

Classification and subsequent measurement

The Group classified and subsequently measured its financial assets into one of the following categories under IAS 39:

Financial assets at fair value	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Loans and receivables	Measured at amortised cost using the effective interest rate method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities- initial recognition and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in the statement of income. This category includes trade and other payables, due to banks and term loans.

g) De-recognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

h) Impairment of financial assets

Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised cost i.e. trade receivables, cash at bank and other loans. No impairment loss is recognised for investments in equity instruments classified as FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group applies three-stage approach to measure expected credit losses (ECLs) for cash at bank and other loans. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Group's methodology for specific provisions remains largely unchanged.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes;

- when there is a significant breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs. At each reporting date, the Group assesses each customer for lifetime ECLs based on Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Group recognises an impairment loss or reversal of impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

i) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Derivative financial instrument

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value as at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

k) 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 recognized in the consolidated statement of income.

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l) 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(s)).

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.

m) Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law in the private sector and employees sectors. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

n) 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.

o) 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.

p) Revenue recognition

Policy applicable before 1 January 2018

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

Policy applicable after 1 January 2018

The Group's performance obligations primarily relates to the delivery of the products to customers. Revenue is recognized at the point the customer obtains control of the product. Control is transferred when title has passed to the customer, generally at the loading port.

Certain products in certain markets may be sold with variable pricing arrangements. Such arrangements determine that a preliminary price is charged to the customer at the time of transfer of the control of products, while the price of products can only be determined by reference to a time period ending after that time. In such cases, and irrespective of the formula used for determining preliminary and final prices, revenue is recorded at the time of transfer of control of products at an amount representing the amount of consideration that the Company expects to receive based on preliminary pricing. Where the Company records receivable for the preliminary price, subsequent changes in the estimated final price will not be recorded as revenue until such point in time at which the final price is determined.

q) Income

Dividend income is recognised in the consolidated statement of income on the date on which the Group's right to receive payment is established.

Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset when the asset is not credit-impaired or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Sale of investments carried at FVTPL is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized in the consolidated statement of income at the time of the sale.

r) 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.

s) 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.

t) 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.

u) 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.

v) 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) Performance obligation

The judgments applied in determining what constitutes a performance obligation will impact when control is likely to pass and therefore when revenue is recognised i.e. over time or at a point in time. The Group has determined that only one performance obligation exists in contracts which is the delivery of specified products at loading port. Revenue is therefore recognised at a point in time.

(ii) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(iii) 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.

(iv) 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.

(v) Residual value of the vessels

The residual value of the vessels is determined based on the estimations performed by the DKHL'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) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions and forward looking estimates at the end of each reporting period.

(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

	2018 KD'000	2017 KD'000
Cash on hand and at banks	**14,156**	23,816
Call accounts and time deposits	**51,905**	17,761
	66,061	41,577

Time deposits earned interest at an average effective interest rate of 0.8% (2017: 0.4%) per annum and mature within 3 months (2017: 3 months) from the date of the placement.

5. Investments

	2018 KD'000	2017 KD'000
Investments at fair value through statement of income		
Managed portfolios	**53,981**	56,542
Quoted securities	**220**	-
Securities	**-**	1,633
	54,201	58,175

	2018 KD'000	2017 KD'000
Investments at fair value through other comprehensive income		
Unquoted securities (Non – current)	**24,157**	-
Unquoted securities (Current)	**2,534**	-
	26,691	-

	2018 KD'000	2017 KD'000
Investments available for sale		
Unquoted securities	**-**	26,901
Quoted securities	**-**	222
	-	27,123

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Investments at fair value through statement of income with a carrying amount of KD 53.98 million (2017: KD 56.54 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 equity security), and recognised fair value loss of KD 3.348 million (2017: fair value loss of KD 1.5 million) in fair value reserve in equity. At the reporting date, the fair value of VHFL was KD 22.42 million (2017: KD 25.76 million). The Group's ownership interest in VHFL is 11.1% (2017: 11.1%). The fair value was based on discounted cash flows using a rate based on the risk free rate of 2.69% (2017: 2.48%) and the risk premium of 6.1% (2017: 5.7%) specific to the investment.

The unquoted securities also include Group's investment of 12.5% (2017: 12.5%) in Asia Petroleum Ltd. (APL), carried at fair value of KD 1.74 million (2017: nil). The fair value was determined based on discounted cash flows using a rate based on the risk free rate of 2.69% (2017: nil) and the risk premium of 14.6% (2017: nil) specific to the investment.

On the date of initial application of IFRS 9, the Group has fair valued its investment in APL, which was previously carried at cost under IAS 39, and consequently recognised a fair value gain of KD 705 thousand (2017: nil) in opening retained earnings as at 1 January 2018.

The significant unobservable inputs used in the fair value measurements categorised of unquoted equity securities within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2018 and 2017 are shown below;

	Increase of 50 basis points	
	2018	2017
	KD'000	KD'000
Cost of equity	**(1,720)**	(1,894)
Terminal growth rate	**1,209**	1,242

6. Trade and other receivables

	2018	2017
	KD'000	KD'000
Trade receivables	**60,574**	52,497
Prepaid expenses	**3,397**	2,609
Refundable deposits and taxes	**27**	26
Others	**13,927**	9,509
	77,925	64,641

The Group's credit period varies from customer to customer. Trade receivables are short term in nature and carries interest on commercial terms in case of delay in payments. 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

	2018	2017
	KD'000	KD'000
Arabtank Terminals Limited	**710**	706

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The Group has provided a long-term subordinated loan to Arabtank Terminals Ltd., Kingdom of Saudi Arabia, an associate of the Group. The interest rates for the above loans vary from 3% to 8% (2017: 3% to 8%) per annum.

8. Investment in joint venture

	2018 **KD'000**	2017 KD'000
Uniterminals S.A.L., Lebanon	**4,984**	4,706

The Group has a 50% equity shareholding with equivalent voting power in Uniterminals S.A.L, Lebanon. The following table illustrates summarised financial information of the Group's investment in its joint venture:

	2018 **KD'000**	2017 KD'000
Current assets	**35,684**	26,592
Non-current assets	**7,468**	6,782
Current liabilities	**(32,876)**	(23,710)
Non-current liabilities	**(308)**	(252)
Net assets	**9,968**	9,412
Group's share of net assets	**4,984**	4,706
Operating profit	**2,980**	2,310
Loan interest and other expenses	**(670)**	(210)
Profit for the year	**2,310**	2,100
Group's share of profit for the year (Note 21)	**1,155**	1,050

Dividends received from the Joint Venture during the year amounts to KD 906 thousands (2017: KD 728 thousands.

9. Investment in associates

	Location	**Percentage of ownership**	**2018** **KD'000**	2017 KD'000
Inpetro SARL	Mozambique	40%	**946**	932
Arabtank Terminals Ltd	Kingdom of Saudi Arabia	36.5%	**5,477**	5,529
Horizon Djibouti Holdings Ltd.	Djibouti	22.22%	**5,831**	5,514
Horizon Singapore Terminals Private Ltd	Singapore	15%	**7,528**	7,868
Horizon Tangiers Terminals SA	Morocco	32.5%	**10,278**	9,367
			30,060	29,210

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:

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	2018 KD'000	2017 KD'000
Total assets	**3,058**	2,954
Total liabilities	**(2,112)**	(2,022)
Net assets	**946**	932

	2018 KD'000	2017 KD'000
Operating income	**1,125**	1,130
Operating expenses	**(672)**	(821)
Profit for the year (Note 21)	**453**	309

Arabtank Terminals Ltd

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 2018 is summarized as follows:

	2018 KD'000	2017 KD'000
Total assets	**7,760**	7,615
Total liabilities	**(2,283)**	(2,086)
Net assets	**5,477**	5,529
Operating income	**821**	869
Operating expenses	**(902)**	(827)
Profit for the year (Note 21)	**(81)**	42

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:

	2018 KD'000	2017 KD'000
Total assets	**6,560**	6,060
Total liabilities	**(729)**	(546)
Net assets	**5,831**	5,514

	2018 KD'000	2017 KD'000
Operating income	**2,452**	2,459
Operating expenses	**(962)**	(943)
Profit for the year (Note 21)	**1,490**	1,516

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 2018 is summarized as follows:

	2018 KD'000	2017 KD'000
Total assets	**9,560**	10,138
Total liabilities	**(2,032)**	(2,270)
Net assets	**7,528**	7,868
Operating income	**3,257**	3,645
Operating expenses	**(1,937)**	(1,981)
Profit for the year (Note 21)	**1,320**	1,664

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:

	2018 KD'000	2017 KD'000
Total asset	**12,906**	13,333
Non-current assets	**(2,628)**	(3,966)
Net assets	**10,278**	9,367
Operating income	**3,103**	3,019
Operating expenses	**(1,911)**	(1,865)
Profit for the year (Note 21)	**1,192**	1,154

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

	2018 KD'000	2017 KD'000
Current assets	**30,794**	26,147
Non-current assets	**131,079**	141,011
Current liabilities	**(19,391)**	(15,145)
Non-current liabilities	**(16,703)**	(25,691)
Net assets	**125,779**	126,322
Operating income	**47,361**	50,305
Operating expenses	**(27,274)**	(27,462)
Profit for the year	**20,087**	22,843

During the year, the Group received a dividend of KD 3.10 million (2017: KD 3.38 million) from its associates.

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10. Property and equipment

	Freehold Land KD'000	Buildings KD'000	Vessels KD'000	Furniture, equipment and computer software KD'000	Motor vehicles KD'000	Leasehold improvements KD'000	Total KD'000
Cost							
As at 1 January 2017	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
Additions	-	-	11	15	-	-	26
Currency translation effects	-	-	-	(71)	1	(3)	(73)
As at 31 December 2018	544	1,692	49,711	1,152	179	72	53,350
Accumulated depreciation							
As at 1 January 2017	-	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
Charge for the year	-	40	2,145	40	23	1	2,249
Currency translation effects	-	2	(198)	(68)	9	(6)	(261)
As at 31 December 2018	-	1,223	17,367	1,112	152	62	19,916
Carrying amount							
As at 31 December 2018	544	469	32,344	40	27	10	33,434
As at 31 December 2017	544	511	34,280	68	58	8	35,469

The vessels have been collateralized against term loan (Note 13).

Notes to the consolidated financial statements

For the year ended 31 December 2018

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 3.5% (2017: 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 53.98 million (2017: KD 56.54 million) (Note 5).

12. Trade and other payables

	2018 KD'000	2017 KD'000
Trade payables	**40,131**	55,959
Accrued expenses	**30,088**	25,500
Accrued staff leave	**232**	183
Provision for KFAS	**65**	65
Others	**2,715**	3,608
	73,231	85,315

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% (2017: 1.75% to 5.32%) per annum. The maturity of the loans vary from June 2019 to November 2023.

14. Provision for staff indemnity

	2018 KD'000	2017 KD'000
Balance at 1 January	**1,161**	2,730
Charge for the year	**378**	207
Payments made during the year	**(185)**	(1,776)
Balance at 31 December	**1,354**	1,161

15. Share capital

The authorized, issued and fully paid up share capital consists of 188,407,500 shares of 100 fils each (2017: 188,407,500 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

	2018	2017
Number of shares	**7,620,000**	7,620,000
Percentage of issued shares	**4%**	4%
Market value (KD million)	**3.06**	3.04
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 2018. Such amount will not be available for distribution during treasury shares holding period. Treasury shares are not pledged.

19. Revenue

Revenue from contracts with customers is disaggregated by major products and reconciliation with the amounts disclosed in the segment information (Note 30).

	2018 KD'000	2017 KD'000
Refined products	**755,517**	537,659

20. Net interest relating to oil marketing operations

	2018 KD'000	2017 KD'000
Interest income	**926**	508
Interest expense	**(5,422)**	(3,960)
	(4,496)	(3,452)

Notes to the consolidated financial statements

For the year ended 31 December 2018

21. Share in results of associates and joint venture

	2018 KD'000	2017 KD'000
Inpetro SARL (Note 9)	**453**	309
Arabtank Terminals Ltd. (Note 9)	**(81)**	42
Horizon Djibouti Holdings Ltd (Note 9)	**1,490**	1,516
Horizon Singapore Terminals Private Ltd., (Note 9)	**1,320**	1,664
Horizon Tangiers Terminals (Note 9)	**1,192**	1,154
Uniterminals S.A.L. (Note 8)	**1,155**	1,050
	5,529	5,735

22. Investment income

	2018 KD'000	2017 KD'000
Unrealised (loss) / gain from investments at fair value through statement of income	**(2,853)**	5,609
Dividend income	**1,350**	12

During the year ended 31 December 2018, the Group received dividend of KD 1.338 million (2017: nil) from VHFL.

23. Net other income / (expense)

	2018 KD'000	2017 KD'000
Net foreign currency exchange gain / (loss)	**545**	(681)

24. 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 Appeals issued a verdict on 18 November 2018 rejecting the Group's claim for cancellation of the Zakat assessment for years 2008 to 2014. An appeal has been filed against the verdict in the Court of Cassation on 9 December 2018, however, no hearing has been scheduled till date.

Notes to the consolidated financial statements

For the year ended 31 December 2018

25. 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 2018.

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. The court of first instance has issued a judgement on 26 December 2018, confirming the amicable settlement agreed. According to the terms of settlement agreement, the management determined that sufficient provision existed as of 31 December 2018 to settle NLST obligations on due dates.

26. Earnings per share

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

	2018	2017
Profit for the year (KD'000)	**6,148**	6,232
Weighted average number of issued shares outstanding	**188,407,500**	174,597,141
Weighted average number of treasury shares outstanding	**(7,620,000)**	(7,620,000)
Weighted average number of shares outstanding	**180,787,500**	166,977,141
Earnings per share (fils)	**34.01**	37.32

27. Proposed dividends

The Board of Directors proposed a cash dividend of 30 fils per share for the year ended 31 December 2018 (2017: 30 fils per share). This proposal is subject to the approval of the Shareholders' Annual General Assembly.

28. Annual general assembly

The Shareholders' annual general assembly held on 13 February 2018 approved the annual audited consolidated financial statements for the year ended 31 December 2017 and payment of a cash dividend of 30 fils per share for the year ended 31 December 2017.

29. 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.

Notes to the consolidated financial statements

For the year ended 31 December 2018

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

	Joint Venture KD'000	Associates KD'000	Total 2018 KD'000	Total 2017 KD'000
1 Revenues:				
Sales	121,501	-	**121,501**	94,688
Storage expense	-	4,866	**4,866**	4,665
2 Due from / to related parties:				
Trade and other receivables	-	3,600	**3,600**	3,581
Trade and other payables	-	695	**695**	627
Others loans (Note 7)	-	710	**710**	706
3 Key management compensation				
Salaries and other short-term benefits			**952**	872
Terminal benefits			**154**	73
			1,106	945

Notes to the Consolidated financial statements

For the year ended 31 December 2018

30. 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:

	2018				2017			
	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	**746,410**	**-**	**9,107**	**755,517**	509,718	-	27,941	537,659
Segment result	**16,058**	**-**	**1,403**	**17,461**	8,049	-	1,728	9,777
Unallocated corporate expenses				**(8,699)**				(8,165)
Operating profit				**8,762**				1,612
Other information:								
Trade and other receivables	**68,782**	**-**	**9,143**	**77,925**	64,641	-	-	64,641
Unallocated corporate assets	**-**	**-**	**-**	**252,441**	-	-	-	230,273
Total assets				**330,366**				294,914
Segment liabilities	**11,263**	**28,868**	**-**	**40,131**	10,460	27,946	17,553	55,959
Unallocated corporate liabilities	**-**	**-**	**-**	**195,333**	-	-	-	142,548
Total liabilities				**235,464**				198,507

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 and Asia and Far East segments.

31. Financial Instruments and risk management

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. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The estimated fair value of financial assets and liabilities that are not carried at fair value at the reporting date is not materially different from their carrying value.

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 2018, if interest rates on borrowings (due to banks and term loan) and short-term deposits had been 1% (2017:1%) higher / lower with all other variables held constant, profit for the year would have been increased / decreased by KD 1.088 million respectively (2017: profit for the year would have been increased / decreased by KD 0.94 million).

The Group's exposures to interest rates on 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 quoted securities and managed portfolios classified as 'Investments at fair value through income statement'. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

As at 31 December 2018, if the net asset value of the managed portfolio would have increased / decreased by 5% (2017: 5%), the profit for the year would have increased / decreased by KD 2.69 million (2017: profit for the year would have increased / decreased by KD 2.83 million).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, other loans and trade and other receivables as disclosed in Note 4, Note 6 and Note 7 respectively.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. At the reporting date, significant portion of the Group's trade receivables are due from entities operating in the oil and gas sector and governmental institutions with high credit ratings.

Expected credit loss assessment for corporate customers as at 1 January and 31 December 2018

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement. Loss allowance for trade receivables is measured at an amount equal to lifetime ECLs. The lifetime ECLs on trade receivables are assessed based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The letters of credit are considered integral part of ECL calculation. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Cash at banks

The Group places its cash and time deposits are placed with various reputed financial institutions carrying high credit rating. The Group's cash at banks are considered to have a low credit risk and the loss allowance is based on the 12 months expected credit loss, which is not significant to the Group as at 31 December 2018.

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 1.626 million (2017: KD 1.603 million) is due within one year and KD 14.07 million (2017: KD 15.62 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 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, whereas, the fair value of investments classified as FVOCI is measured using DCF techniques as disclosed in Note 5.

Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

	Fair value hierarchy			
	Level 1 KD'000	**Level 2 KD'000**	**Level 3 KD'000**	**Total KD'000**
2018				
Investments at fair value through other comprehensive income	-	2,534	24,157	26,691
Investments at fair value through statement of income	54,201	-	-	54,201
	54,201	2,534	24,157	80,892
2017				
Investments available for sale	222	-	25,763	25,985
Investments at fair value through statement of income	56,542	1,633	-	58,175
	56,764	1,633	25,763	84,160

During the year, there were no transfers between the fair value levels.

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 2018

		Notional amount 2018 KD'000	Notional amount 2017 KD'000	**Fair value 2018 KD'000**	Fair value 2017 KD'000
Swap contracts	Buy	**27,163**	3,336	**24,953**	3,814
Swap contracts	Sell	**16,051**	6,253	**14,960**	6,834
Future contracts	Buy	**11,693**	9,423	**10,959**	9,933
Future contracts	Sell	**31,340**	9,297	**29,172**	9,833

32. 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 2017.

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.

	2018 KD'000	2017 KD'000
Due to banks and term loans (Note 11 & 13)	**160,799**	111,951
Less: cash on hand and at banks (Note 4)	**(66,061)**	(41,577)
Net debt	**94,738**	70,374
Total equity	**94,902**	96,407
Total capital resources	**189,640**	166,781
Gearing ratio	**50%**	42%

33. Contingent liabilities and commitments

At December 31, 2018, the Group is contingently liable in respect of the following:

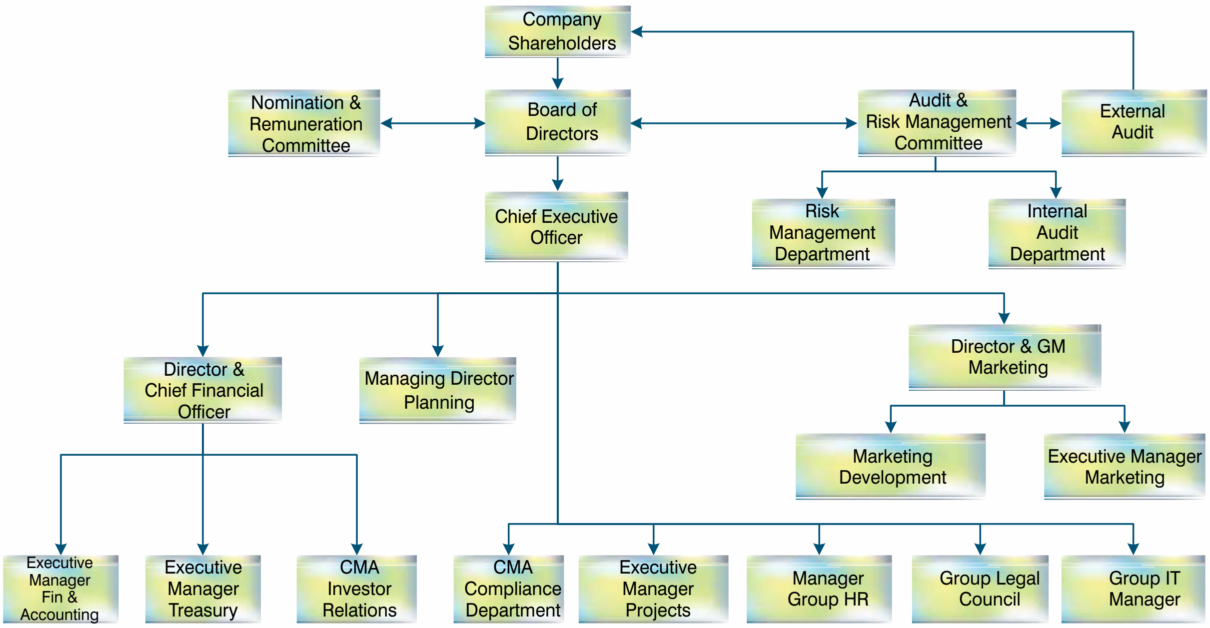
	2018 KD'000	2017 KD'000
Contingent liabilities:		
Letters of guarantee and bid bonds	**1,387**	1,456
Letters of credit	**73,897**	75,738
	75,284	77,194
Commitments:		
Investments in projects	**9,166**	9,424

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

Previous 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 2018:

Details of meetings held by the Board during 2018 are as given below:

Name of Board Member	Meeting No. 210 Dated 10/01/2018	Meeting No. 211 Dated 24/01/2018	Meeting No. 212 Dated 10/04/2018	Meeting No. 213 Dated 10/04/2018	Meeting No. 214 Dated 11/07/2018	Meeting No. 215 Dated 10/10/2018	Total Meetings Attended
Khalaf A. Al-Khalaf	✓	✓	✓	✓	✓	X	5
Ghazi Fahad AlNafisi	✓	✓	✓	✓	X	✓	5
Waleed J. Hadeed (Secretary to Board of Directors)	✓	✓	✓	✓	✓	✓	6
Abdullah A. Zaman	✓	✓	✓	✓	✓	✓	6
Ali M. Al-Radwan	✓	✓	✓	✓	X	✓	5
Ali R. Al-Bader (Independent Member)	✓	✓	X	X	X	✓	3
Abdullah E. Al-Kandari	✓	✓	✓	✓	✓	✓	6
Mohammed A. Qasim	✓	✓	✓	✓	✓	✓	6

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 2018:

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 2018:

- 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 2018 are as given below:

Name of Board Member	Meeting No. 6 Dated 24/01/2018	Meeting No. 7 Dated 10/04/2018	Meeting No. 8 Dated 10/10/2018	Meeting No. 9 Dated 03/12/2018	Total Meetings Attended
Ghazi Fahad AlNafisi	✓	✓	✓	✓	4
Ali M. Al-Radwan	✓	✓	✓	✓	4
Ali R. Al-Bader (Independent Member)	✓	x	✓	✓	3

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.

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 third meeting of the Committee was held on January 09, 2019 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 2018.

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 2018, given in the table below:

Particulars	(Amount in KD '000)
Salaries of Executive Management	952
Current Year Terminal Benefit Expenses	154
Directors' Sitting Fees	80
Total	**1,186**

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 February 04, 2019 (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 Financial Reporting Standards (IFRS).

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 2017, the ICR report was submitted to CMA before 31 March 2018.

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 Audit & Risk Management Committee 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 2018 are:

Full Name	Percentage %
Markaz Energy Fund	8.487
Kuwait Financial Center K.P.S.C., Customer 1	7.898
Ghazi Fahad AlNafisi	7.152
Al Ahlia Insurance	6.755

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.

Khalaf Ahmed Al-Khalaf
Chairman