



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

# 2023

ANNUAL  
REPORT

47 YEARS 1976-2023

## OUR OFFICES

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

AREA 1A, 7<sup>th</sup> STREET, BUILDING NO. 18, 4<sup>th</sup> RING ROAD,  
JABRIYA, P.O. BOX 24027 SAFAT 13101, KUWAIT.  
Tel. No. : (+965) 22276222 / 25312840-7 (8 LINES)  
Fax No. : (+965) 22276100/1/2/3 or 25329953/7  
Email : general@ipg.com.kw - Website : www.ipg.com.kw

### INDEPENDENT PETROLEUM GROUP (ASIA) PTE LIMITED – Singapore

6 TEMASEK BOULEVARD, # 30-01B,  
SUNTEC TOWER FOUR, SINGAPORE-038986.  
Tel. No. : (+65) 62506637/62507749.  
Main Line. : (+65) 62506519.  
Email : trading@ipgspore.com.sg

### INDEPENDENT PETROLEUM GROUP OF KUWAIT LIMITED - London

112 JERMYN STREET, LONDON SW1Y 6LS,  
UNITED KINGDOM.  
Tel. No. : (+44) 207 9250505 - 8730920.  
Fax No. : (+44) 207 8730923.  
Email : ipglondon@btinternet.com

### INDEPENDENT PETROLEUM MOZAMBIQUE, LDA

PREDIO JAT IV, AV. ZEDEQUIAS MANGANHELA Nº 267, 6º. ANDAR,  
MAPUTO, MOZAMBIQUE.  
Tel. / Fax No. : (+258) 21320682

### INDEPENDENT PETROLEUM GROUP - Zimbabwe

1ST FLOOR, EAST WING, BLOCK 5, CELESTIAL OFFICE PARK,  
BORROWDALE ROAD, BORROWDALE, HARARE, ZIMBABWE.  
Tel. No. : (+263) 242 882392 / 242 882393

### IPG ( SOUTHERN AFRICA ) PROPRIETARY LIMITED - Johannesburg

PHASE 3, (BUILDING 3), 3RD FLOOR,  
CNR ALICE LANE & FIFTH STREET, SANDHURST, SANDTON,  
JOHANNESBURG, 2196  
SOUTH AFRICA.  
Tel. No. : (+27) 100072264

### D&K HOLDINGS L.L.C – UNITED ARAB EMIRATES

OFFICE NO. 108, SPECTRUM BUILDING,  
SHEIKH RASHID ROAD, P.O. BOX 124317,  
DUBAI, UNITED ARAB EMIRATES.  
Tel. No. : (+971) 4 3135000.  
Fax No. : (+971) 4 3135002.  
Email : admin@dnkpetrol.com

### INDEPENDENT PETROLEUM GROUP Morocco

24 JABER BEN HAYANE STREET, DAN HEL BUILDING, BLOCK A,  
4TH FLOOR, OFFICE NO.74, CASABLANCA, 20000, MOROCCO.  
Tel. No. : (+212) 522490213  
Fax No. : (+212) 522473677

### INDEPENDENT PETROLEUM GROUP KENYA LIMITED

THE ADDRESS, 6<sup>TH</sup> FLOOR MUTHANGARI DRIVE, WESTLANDS,  
P.O. BOX: 2232 - 00606, SARIT CENTRE, NAIROBI, KENYA.  
Tel. : (+254) 111045000  
E-mail: tradingkenya@ipg.com.kw

**47 YEARS** 1976-2023



# **ANNUAL REPORT**



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

47 YEARS 1976-2023



## Board of Directors

• <b>Ali M. Al-Radwan</b>	<i>Chairman</i>
• <b>Ghazi F. AlNafisi</b>	<i>Vice Chairman</i>
• <b>Waleed J. Hadeed</b>	<i>Board Member &amp; Chief Executive Officer</i>
• <b>Samir S. Shammas</b>	<i>Board Member &amp; Deputy Chief Executive Officer</i>
• <b>Abdullah A. Zaman</b>	<i>Board Member</i>
• <b>Abdullah E. Al-Kandari</b>	<i>Board Member - Managing Director Finance</i>
• <b>Mohammad A. Qasim</b>	<i>Board Member - Managing Director Marketing</i>
• <b>Abdul Aziz S. Alessa</b>	<i>Board Member</i>
• <b>Ibrahim Y. Al-Ghanim</b>	<i>Board Member</i>
• <b>Hamad S. Al-Dalali</b>	<i>Board Member</i>



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## Report of the Board of Directors for 2023

### Message to the Shareholders.

*Dear Shareholders,*

**On behalf of the Board of Directors of the Independent Petroleum Group Company K.S.C.P., I am pleased to present the 47th Annual Report and consolidated financial statements to the Shareholders of IPG for the year 2023.**

The challenges due to sanctions over the continued war in Ukraine have led to various concerns over shipping and international oil prices and supplies. The unrest and the political situation in the Middle East added another dimension to the situation, initially increasing prices. However, uncertainty over economic growth and inflation overall led to softening of prices in the latter half of the year.

Nevertheless, the year 2023 was another successful year for IPG, as the Group achieved good revenues that reflect its business operations during this period. The Group's net profit during this year amounted to 7.818 million KD, equivalent to 43.24 fils per share. This number shows a noticeable increase compared to the year 2022, therefore the profit increased to about 2.12% over that of the year 2022, which reflects the success and excellence achieved by the Group during this period.

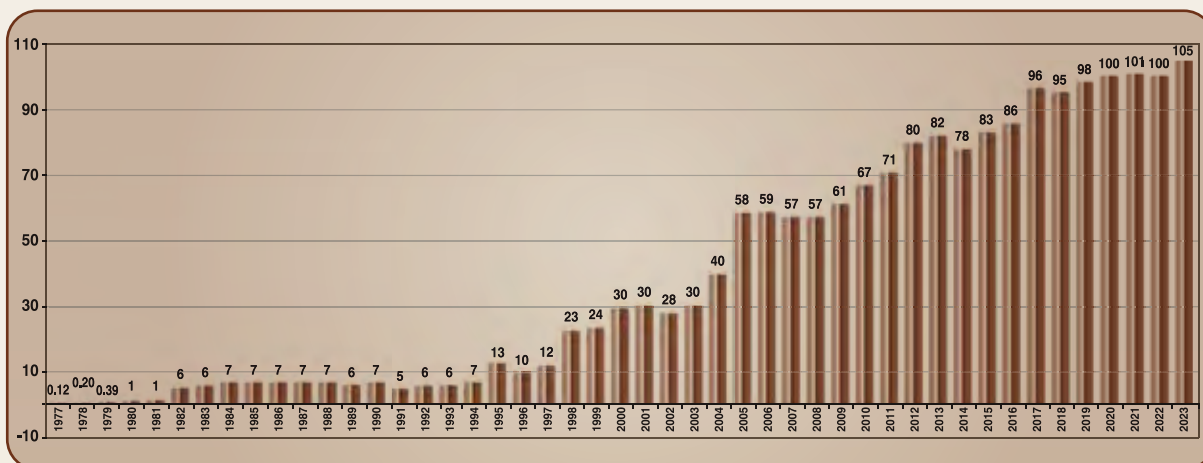
The Group continued to provide the necessary liquidity and financing for its operations through local and international banks, and through this it was able to confront the challenges of price fluctuations.

The policies and regulations governing Corporate Governance continue to be followed by the Board of Directors. The attached Corporate Governance report highlights the achievements of the year 2023.

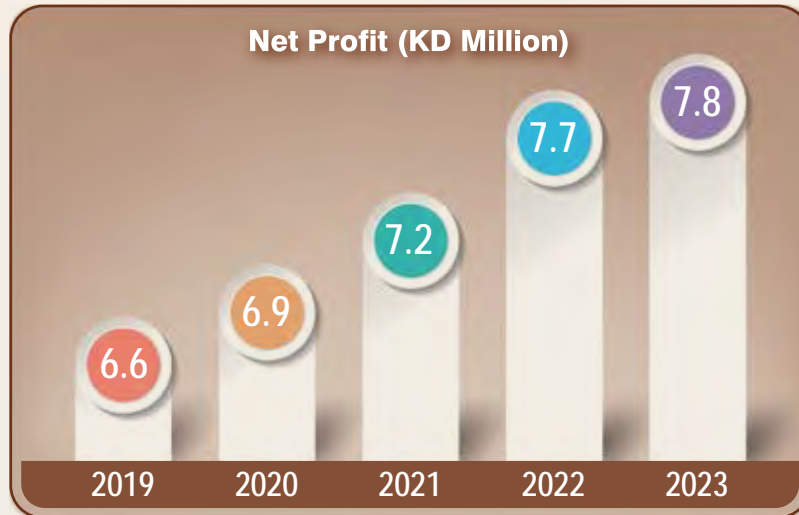
I would like to take this opportunity to thank everyone who contributed to IPG's strong performance from our shareholders to staff members and to all sectors associated with the Group.

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

### Equity Movement since inception (KD Million)







**Marketing:**

IPG marketed about 3.8 million tons of petroleum products in 2023 compared to 4.9 million tons in 2022. Our concentrations were in our key markets such as East Africa, North Africa, Middle East, and Red Sea. Despite adverse market conditions and strong competition, IPG managed to trade in its key regions while at the same time achieved improvements in margins.

IPG continued its strong and fairtrade relations with the National Oil Companies and Major Oil Companies, thus strengthening our ties with trading partners and expanded its presence in strategic areas. Efforts continued to make a stronger position in weaker market areas and recapture other areas of our trade.

IPG shipped nearly 1.75 million tons of products to Arabian Gulf and Red Sea region. This represented about 46% of total sales volume and ranked high in sales. The Euro-Med region ranked second in sales with about 1.3 million tons of products traded. It accounted for about 34% of the total sales volume. Sales in the East Africa region recorded a quantity close to 0.78 million tons. This represented about 20% of total sales volumes.

IPG continued to utilize its storage capacities in Mozambique and Morocco to enhance its marketing activities. Total volume of products stored by IPG in these oil terminals were about 1.25 million cubic meters in 2023. Storage capacities in other locations were utilized by other customers and will continue for the next year.

**Trading activities in the Arabian Gulf and Red Sea region:**

Sales in the Arabian Gulf and Red Sea region recorded a quantity close to 1.75 million tons. This represented about 46% of total sales volumes and ranked high in sales.

**Trading Activities in Euro- Med region.**

The Euro-Med region ranked second in sales with about 1.30 million tons of product traded. It accounted for about 34% of the total sales volume.

**Trading activities in East Africa**

IPG shipped nearly 0.78 million tons of products to East Africa. This represented about 20% of total sales volume.

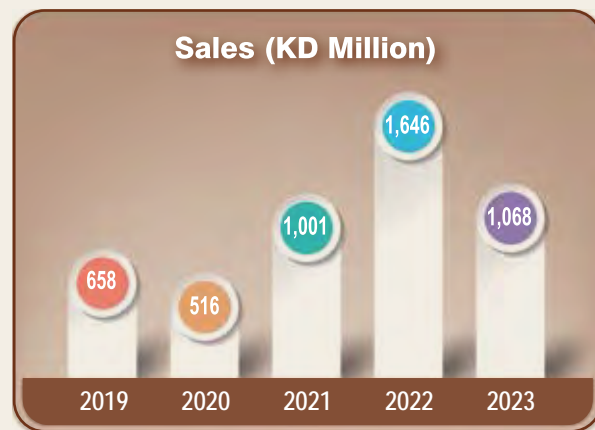
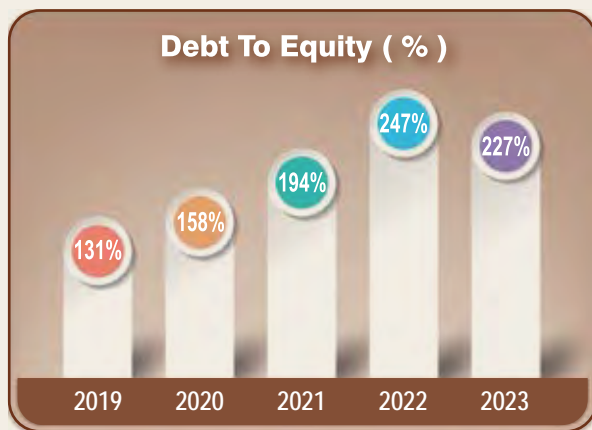
## Shipping:

2023 has been a turbulent year for the oil and tanker markets, with robust earnings for all sectors owing to strong demand growth and tight supply caused by geopolitical and climate related events.

During February, the introduction of the European and US embargo on Russian refined products capped the upside for tankers throughout 2023.

In October, the Middle East unrest events had an impact on freight rates especially in the Red Sea due to reluctance of some owners to call Red Sea ports causing shortage of tonnage and increase in freight rates.

We have optimized in using our owned vessels for our own cargos, especially in the Red Sea trade. 28% percent of IPG's liftings in 2023 were by its own vessels.



## Risk Management:

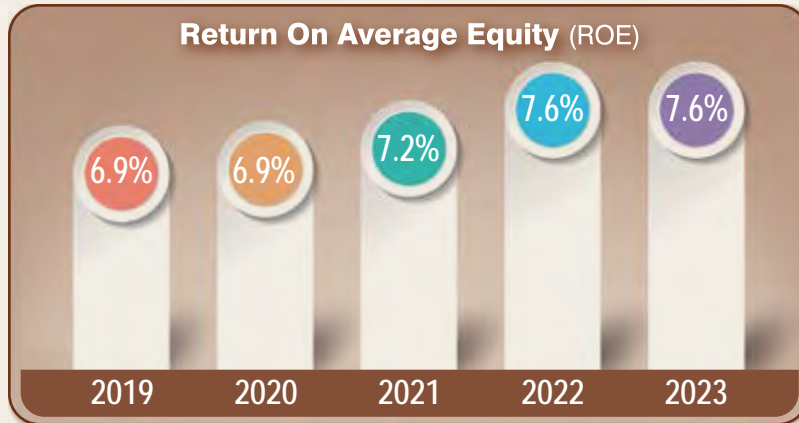
The Risk Management Team (RMT) at IPG plays a crucial role in supporting marketing activities. The team coordinates with the trading desk to strategically hedge cargos as per the hedge policy, securing margins despite market volatility.

Collaborating closely with the marketing team, RMT analyzes fundamental and technical aspects of the oil market, offering insights on pricing advantages, forward curves, and market structure for optimized trading positions. Additionally, RMT actively contributes to yearly budget planning, tracking company performance, and maintains vigilant oversight on marketing positions to uphold hedge policies and trade guidelines.

## Business Development & Projects Department:

Heeding with IPG's Corporate Strategy and in its endeavor to find growth opportunities and generate long-term value while supporting IPG's trading operations, the Business Development & Projects Department (BD) in 2023 followed up with improvements of existing terminal facilities and the development of new projects in strategic markets. BD is actively involved in streamlining the operations of new terminal facilities in the Port of Beira & Matola in Mozambique and developing a terminal project in Port Sudan, Republic of Sudan.

In addition to the development of projects, BD provided information and analytical support for concluding the financing process of GIMTL (joint venture with Galp of Portugal), Matola, Mozambique in 2023. BD continues to work with international, regional, and local financial institutions for securing long term project financing in multiple currencies at competitive terms and conditions for its existing & potential investments. In addition, BD is exploring different cooperation models with its strategic partners to augment its business growth and development of strategic markets.



**Finance & Treasury:**

The finance department continues to provide the full support to the group to meet the financial liquidity requirements of its international operations and support the participation for its international oil bids to supply the Group's customers with a competitive and flexible pricing of petroleum products.

As part of its strategy, the department continues to establish new relationships with new banks locally and internationally to obtain additional funding required at a competitive rate to meet current and future financial needs.

**Human Resources**

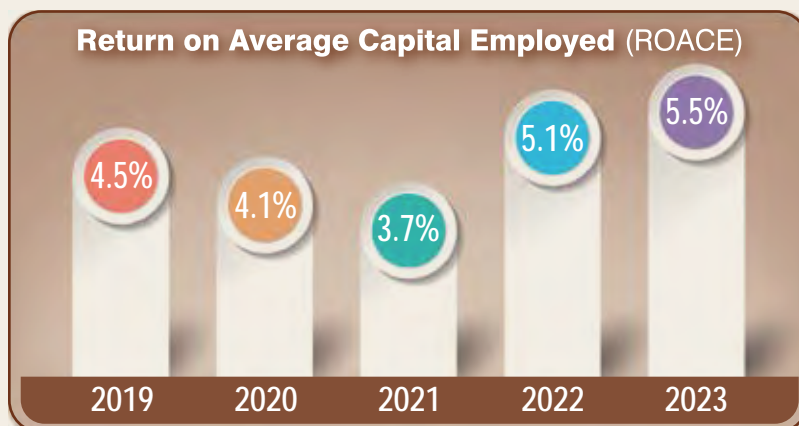
IPG remains committed to increasing the employment of Kuwaiti nationals to achieve its long terms goals. During 2023, Nine (9) new employees were recruited, bringing the total number of staff to 166 and by the end of the year, the percentage of Kuwaitis reached 19% of the total workforce.

**Information Technology**

Taking its part in the digital transformation journey, IPG appointed a market leader in Enterprise Resource Planning applications (ERP) to implement a full fledge software system to cater for all financial and operational needs carried by all departments under one umbrella.

**Legal**

During 2023 and amidst a number of challenges, the Legal Department was successful in dealing with disputes and lawsuits involving the Group's operations worldwide. The Department adopted the best practices available in the legal sector to secure the required legal protection for the Group. The Department also contributed by providing sound legal opinions to all departments of the Group, which led to a reduction in outsourcing costs of international law firms.



## **The Board of Directors approved the audited financial statements as of 31 December 2023 and decided to recommend the below:**

1. Cash dividend of 30% equivalent to 30 fils per share in the total amount of KD 5,424,000 (KD Five Million four hundred twenty four thousand) for the year ended 31/12/2023 to the registered shareholders on the date of GAM set for at least eight working days after the GAM meeting date. The Board of Directors is authorized to change those dates if necessary.
2. Approving the remuneration to the Board of Directors for the fiscal year ended 31/12/2023 amounting to KD 100,000 (KD One Hundred Thousand)

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

It is a great pleasure to announce that IPG's performance during 2023 was highly commendable and I would like to take this opportunity to thank everyone who contributed to IPG's strong performance.

On Behalf of The Board of Directors, I would like to express our thanks and appreciation to all shareholders for their confidence and to the employees for their hard work and commitment to IPG.

**Ali M. Al-Radwan**  
*Chairman of the Board of Directors*

**Here are IPG's Subsidiary, Joint Venture and Associate Companies  
(brief of operating facilities and latest developments)**

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



**2. Asia Petroleum Limited (APL) – Pakistan:**

*(IPG share 12.5% - Associate Company)*

APL owns and operates an 82 Kilometers 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.

**Other Shareholders are:**

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



### 3. **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 m<sup>3</sup>. By Shareholding, IPG's capacity is 37,000 m<sup>3</sup>.

#### **Other Shareholder is:**

- Unihold SAL, Lebanon



### 4. **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 m<sup>3</sup>. By Shareholding, IPG's capacity is 74,200 m<sup>3</sup>.

#### **Other shareholders are:**

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



**5. 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 m<sup>3</sup>. By Shareholding, IPG's capacity is 38,000 m<sup>3</sup>.

**Other shareholders are:**

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



**6. 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 m<sup>3</sup> of which 223,500 m<sup>3</sup> is for petroleum products and 64,800 m<sup>3</sup> is for chemical products along with a pipeline connection (three sixteen" lines) to Samref Refinery, Yanbu. Also, the facility is connected to Farabi Petrochemical Company for intermediate storage of chemical products. By Shareholding, IPG's capacity is 105,230 m<sup>3</sup>.

**Other shareholders are:**

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



## 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 m<sup>3</sup> and four jetties. By Shareholding IPG's capacity is 186,750 m<sup>3</sup>.

### **Other Shareholders are:**

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



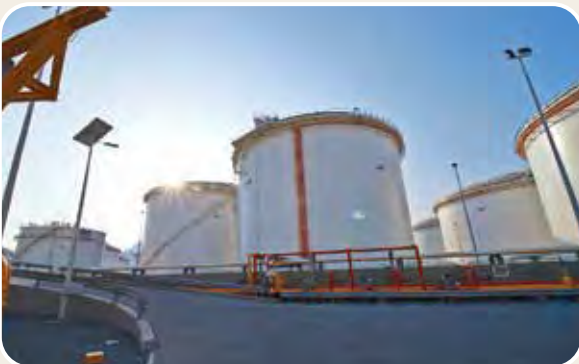
## 8. Vopak Horizon Fujairah Limited (VHFL) – UAE:

*(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 m<sup>3</sup> including marine facilities with four berths and one single point mooring (SPM). By Shareholding, IPG's capacity is 289,860 m<sup>3</sup>.

### **Other Shareholders are:**

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



## 9. Horizon Tangiers Terminals SA (HTTSA) – Morocco:

*(IPG share 32.5% - Associate Company)*

HTTSA owns and operates a storage and bunkering terminal of 533,000 m<sup>3</sup> for clean and black petroleum products at Port Tangiers, Morocco under a 25-year Concession Agreement with TMPA (Tanger Med Port Authority).



By Shareholding, IPG's capacity is 173,225 m<sup>3</sup>.

**Other shareholders are:**

- Horizon Terminals Limited (HTL)
- Afriquia SMDC



**10. Galp-IPG Matola Terminal Limitada (GIMTL), Matola, Mozambique:**

*(IPG share: 45% - Associate Company)*

GIMTL owns and operates a hydrocarbon storage facility (Liquid & LPG) in the Port Matola Mozambique for a capacity of 66,000 m<sup>3</sup> along with other logistical facilities such as, loading gantries, access to Jetty, road, rail, etc. By Shareholding, IPG's capacity is 29,700 m<sup>3</sup>.

**Other shareholders are:**

- Petrogal Mozambique Lda, (part of Galp Energia SGPS, SA, Portugal)
- SPI – Gestão e Investimento, S.A.R.L.

**11. IPG-Galp Beira Terminal Limitada (IGBTL), Beira, Mozambique:**

*(IPG share: 45% - Associate Company)*

IGBTL owns and operates a hydrocarbon storage facility in the Port Beira Mozambique, for a capacity of 65,000 m<sup>3</sup> along with other logistical facilities such as, loading gantries, access to Jetty, access to CPMZ pipeline, etc. By Shareholding, IPG's capacity is 29,200 m<sup>3</sup>.

**Other shareholders are:**

- Petrogal Mozambique Lda, (part of Galp Energia SGPS, SA, Portugal)
- SPI – Gestão e Investimento, S.A.R.L.













**12. Independent Petroleum Mozambique Limitada (IPM) –**

*(IPG share 100% - Subsidiary Company)*

IPM owns and operates a state-of-art Bottling & Distribution Facility for LPG Cylinders in Port Matola, Mozambique. The facility has a bottling capacity of 5,000 bottles per day along with a captive storage of four hundred m<sup>3</sup> for bulk LPG with other facilities.



## Financial Highlights

	2019	2020	2021	2022	2023
 Sales ( KD Million)	658	516	1,001	1,646	<b>1,068</b>
 Gross Margin	2.3%	3.9%	1.4%	1.5%	<b>1.7%</b>
 Net Profit (KD Million)	6.6	6.9	7.2	7.7	<b>7.8</b>
 Earning Per share (Fils)	36.70	38.04	39.79	42.35	<b>43.24</b>
 Price Earning (Time)	13.13	12.22	14.60	12.04	<b>10.20</b>
 Book value/Share (Fils)	543	554	557	553	<b>579</b>
 Cash Dividend	30%	30%	30%	30%	<b>30%</b>
 Dividend Yield	6.2%	6.5%	5.2%	5.9%	<b>6.8%</b>
 Total Assets (KD Million)	299	331	424	439	<b>493</b>
 Shareholders Equity (KD Million)	98.2	100.1	100.6	100.1	<b>104.6</b>
 Return on Average Equity	6.9%	6.9%	7.2%	7.6%	<b>7.6%</b>
 Return on Average Capital Employed	4.5%	4.1%	3.7%	5.1%	<b>5.5%</b>



# **Independent Auditors' Report and Consolidated Financial Statements**

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## Independent Auditors' Report

### To the Shareholders of Independent Petroleum Group Company 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 2023, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, 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.

- **Investments at fair value through other comprehensive income**

Investments in Vopak Horizon Fujairah Limited and Asia Petroleum Limited ("investees") amounting to KD 27.19 million and 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 several 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 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.

- **Expected Credit Loss (ECL) on Trade Receivables:**

The carrying amount of net trade receivables amounted to KD 177.49 Million. The Group determines the ECL on trade receivables by using a provision matrix that is based on historical credit loss experience, shared credit risk characteristics and days which is further adjusted for forward-looking factors specific to the debtors and the economic and political environment. This requires the management to make the appropriate judgment on the estimation of the amounts and timing of future cash flows and the capability of customers to repay. Accordingly, this was an area of focus for our audit.

Refer to Note 3 - Critical judgements and estimation uncertainty and Note 6 – Trade and other receivables.

Our audit procedures over expected credit loss included, but were not limited to the following:

- Reviewed the compliance with the Group's credit and collection policies and inquired whether there were changes from previous years.
- Reviewed the calculation of ECL prepared by the management to determine the impairment.
- Reviewed the inputs used, whether current or historical, and reviewed the reasonableness of assumptions used to calculate the ECL.

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's 2023 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 of our auditor's report.

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

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

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

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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**

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we have obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023, that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the year ended 31 December 2023, that might have had a material effect on the business or financial position of the Parent Company.

State of Kuwait  
14 January 2024


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

## Consolidated statement of financial position

As at 31 December 2023

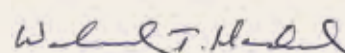
	Notes	2023 KD'000	2022 KD'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash on hand and at banks	4	79,298	108,513
Trade and other receivables	6	187,345	72,997
Inventories		27,236	51,741
Investments at fair value through profit or loss	5	67,233	60,944
Investments at fair value through other comprehensive income	5	1,316	1,266
Current portion of other loans	7	13,543	20,570
<b>Total current assets</b>		<b>375,971</b>	<b>316,031</b>
<b>Non-current assets</b>			
Investments at fair value through other comprehensive income	5	27,186	27,361
Investment in a joint venture	8	6,500	6,837
Investment in associates	9	31,465	28,363
Non-current portion of other loans	7	4,538	4,877
Right of use assets	11	20,191	26,229
Property and equipment	10	27,619	29,339
<b>Total non-current assets</b>		<b>117,499</b>	<b>123,006</b>
<b>Total assets</b>		<b>493,470</b>	<b>439,037</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Current portion of due to banks	12	204,333	194,992
Trade and other payables	13	149,771	90,011
Current portion of term loans	14	-	1,172
Current portion of lease liabilities	16	4,995	5,563
Directors' fees payable		100	100
<b>Total current liabilities</b>		<b>359,199</b>	<b>291,838</b>
<b>Non-current liabilities</b>			
Non-current portion of due to banks	12	12,152	18,461
Non-current portion of term loans	14	-	6,411
Non-current portion of lease liabilities	16	15,691	20,828
Provision for staff indemnity	15	1,779	1,437
<b>Total non-current liabilities</b>		<b>29,622</b>	<b>47,137</b>
<b>Total liabilities</b>		<b>388,821</b>	<b>338,975</b>
<b>Equity</b>			
Share capital	17	18,841	18,841
Share premium		29,665	29,665
Legal reserve	18	9,420	9,420
General reserve	19	606	606
Fair value reserve		24,028	24,129
Foreign currency translation adjustments		(3,365)	(5,659)
Treasury shares reserve		1,429	1,429
Treasury shares	20	(2,770)	(2,770)
Retained earnings		26,795	24,401
<b>Total equity</b>		<b>104,649</b>	<b>100,062</b>
<b>Total liabilities and equity</b>		<b>493,470</b>	<b>439,037</b>

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



Ali Mohammed Al-Radwan  
Chairman

Ghazi Fahad AlNafisi  
Vice Chairman



Waleed Jaber Hadeed  
Chief Executive Officer





## Consolidated statement of income

For the year ended 31 December 2023

	Notes	2023 KD'000	2022 KD'000
Sales	21	1,067,544	1,646,039
Cost of sales		(1,049,408)	(1,621,337)
<b>Gross profit</b>		<b>18,136</b>	24,702
Net interest relating to oil marketing operations	22	(11,268)	(8,870)
<b>Net results of oil marketing operations</b>		<b>6,868</b>	15,832
Share of results from a joint venture and associates	23	8,005	7,635
Dividend income	25	3,108	5,608
General and administrative expenses		(2,196)	(2,750)
Staff costs		(5,616)	(5,326)
Depreciation	10	(1,677)	(1,806)
Net provisions (charged) reversed	24	(5,592)	405
Unrealized gain (loss) from investments at fair value through profit or loss	25	6,746	(10,227)
Net other expense	26	(1,441)	(1,334)
<b>Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Directors' fees</b>		<b>8,205</b>	8,037
Contribution to KFAS	27	(82)	(80)
Contribution to NLST	28	(205)	(201)
Directors' fees		(100)	(100)
<b>Profit for the year</b>		<b>7,818</b>	7,656
<b>Earnings per share (fils)</b>	29	<b>43.24</b>	42.35

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

## Consolidated statement of comprehensive income

For the year ended 31 December 2023

	2023 KD'000	2022 KD'000
Profit for the year	7,818	7,656
<b>Other comprehensive income (loss):</b>		
<i>Items that will not be reclassified subsequently to consolidated statement of income</i>		
Changes in fair value of investments at fair value through other comprehensive income	(101)	(275)
<i>Items that may be reclassified subsequently to consolidated statement of income</i>		
Foreign currency translation adjustments	2,294	(2,528)
<b>Other comprehensive income (loss) for the year</b>	<b>2,193</b>	<b>(2,803)</b>
<b>Total comprehensive income for the year</b>	<b>10,011</b>	<b>4,853</b>

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

### Consolidated statement of changes in equity

For the year ended 31 December 2023

	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
<b>Balance at 1 January 2023</b>	18,841	29,665	9,420	606	24,129	(5,659)	1,429	(2,770)	24,401	100,062
<b>Total comprehensive (loss) income for the year</b>	-	-	-	-	-	-	-	-	7,818	7,818
Profit for the year	-	-	-	-	-	-	-	-	7,818	7,818
Other comprehensive (loss) income	-	-	-	-	(101)	2,294	-	-	-	2,193
<b>Total comprehensive (loss) income for the year</b>	-	-	-	-	(101)	2,294	-	-	7,818	10,011
<b>Transactions with the shareholders, recognized directly in equity</b>	-	-	-	-	-	-	-	-	-	-
Dividends for 2022 (Note 31)	-	-	-	-	-	-	-	-	(5,424)	(5,424)
<b>Balance at 31 December 2023</b>	<b>18,841</b>	<b>29,665</b>	<b>9,420</b>	<b>606</b>	<b>24,028</b>	<b>(3,365)</b>	<b>1,429</b>	<b>(2,770)</b>	<b>26,795</b>	<b>104,649</b>

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

## Consolidated statement of changes in equity

For the year ended 31 December 2023

	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
<b>Balance at 1 January 2022</b>	18,841	29,665	9,420	606	24,404	(3,131)	1,429	(2,770)	22,169	100,633
<b>Total comprehensive (loss) income for the year</b>	-	-	-	-	(275)	(2,528)	-	-	7,656	(2,803)
Profit for the year	-	-	-	-	-	-	-	-	7,656	7,656
Other comprehensive loss	-	-	-	-	(275)	(2,528)	-	-	-	(2,803)
<b>Total comprehensive (loss) income for the year</b>	-	-	-	-	(275)	(2,528)	-	-	7,656	4,853
<b>Transactions with the shareholders, recognized directly in equity</b>	-	-	-	-	-	-	-	-	(5,424)	(5,424)
Dividends for 2021 (Note 31)	-	-	-	-	-	-	-	-	(5,424)	(5,424)
<b>Balance at 31 December 2022</b>	18,841	29,665	9,420	606	24,129	(5,659)	1,429	(2,770)	24,401	100,062

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



## Consolidated statement of cash flows

For the year ended 31 December 2023

	Notes	2023 KD'000	2022 KD'000
<b>Cash flows from operating activities</b>			
Profit for the year before provisions for contribution to KFAS, NLST, Zakat and Directors' fees		8,205	8,037
<i>Adjustments for:</i>			
Interest expense	22	14,738	10,297
Share of results from a joint venture and associates	23	(8,005)	(7,635)
Dividend income	25	(3,108)	(5,608)
Net provisions charged (reversed)	24	5,592	(405)
Provision for staff indemnity	15	389	175
Depreciation	10	1,677	1,806
Unrealized (gain) loss from investments at fair value through profit or loss	25	(6,746)	10,227
Interest income	22	(3,470)	(1,427)
Interest on lease liabilities	16	954	369
Amortization of rights of use assets	11	5,896	4,171
		<b>16,122</b>	<b>20,007</b>
<i>Changes in operating assets and liabilities:</i>			
Trade and other receivables		(119,856)	56,576
Other loans		7,366	(19,714)
Lease liabilities	16	(6,659)	(4,358)
Inventories		24,505	(976)
Trade and other payables		58,672	(37,504)
<b>Cash (used in) generated from operations</b>		<b>(19,850)</b>	<b>14,031</b>
Payment of staff indemnity	15	(47)	(101)
Interest received		3,386	1,624
Payment to KFAS		(80)	(75)
Directors' fees paid		(100)	(80)
<b>Net cash flows (used in) generated from operating activities</b>		<b>(16,691)</b>	<b>15,399</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	10	(99)	(339)
Dividends received		10,641	13,121
<b>Net cash flows generated from investing activities</b>		<b>10,542</b>	<b>12,782</b>
<b>Cash flows from financing activities</b>			
Due to banks		3,032	32,229
Repayment of term loans		(7,583)	(971)
Dividends paid	31	(5,424)	(5,424)
Interest paid		(14,056)	(9,346)
<b>Net cash flows (used in) generated from financing activities</b>		<b>(24,031)</b>	<b>16,488</b>
Effect of foreign currency translation		965	(5,579)
<b>Net (decrease) increase in cash on hand and at banks</b>		<b>(29,215)</b>	<b>39,090</b>
Cash on hand and at banks at beginning of the year		108,513	69,423
<b>Cash on hand and at banks at end of the year</b>	4	<b>79,298</b>	<b>108,513</b>

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

## Notes to the consolidated financial statements

For the year ended 31 December 2023

### 1. Formation and activities

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

The objectives of the Parent Company 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 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 2023, the Group has 166 employees (2022:168 employees).

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on 14 January 2024. The Annual General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

### 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 and its Executive Regulations as amended, Ministerial Order No. 18 of 1990 and the



## Notes to the consolidated financial statements

For the year ended 31 December 2023

Parent Company's Memorandum of Incorporation and Article of Association, as amended. The IFRS requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 3. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended 31 December 2022, the continued impact of the COVID-19 outbreak on the Group which is detailed in Note 38.

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 profit or loss;
- Investments at fair value through other comprehensive income;
- Inventories
- Derivative financial assets and liabilities

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 Parent Company is filing the consolidated financial statements to the Ministry of Commerce and Industry and Boursa Kuwait in Kuwaiti Dinar.

### b) Material accounting policies

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards effective as of 1 January 2023:

#### **Amendments to IAS 1 Presentation of Financial Statements — Disclosure of Accounting Policies**

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. These amendments do not have a material impact on the consolidated financial statements of the Group.

#### **Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction**

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. These amendments do not have a material impact on the consolidated financial statements of the Group.

## Notes to the consolidated financial statements

For the year ended 31 December 2023

### Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors— Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

These amendments do not have a material impact on the consolidated financial statements of the Group.

Several other amendments and interpretations apply for the first time in 2023, 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.

### c) Standards in issue but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

#### Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted, and that fact must be disclosed. The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

#### Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity’s financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period.

However, if the entity’s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming





## Notes to the consolidated financial statements

For the year ended 31 December 2023

repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

### **Amendments to IAS 1 – Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation, further, the amendments are not expected to have a material impact on the consolidated financial statements of the Group.

### **d) Basis of consolidation**

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. 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 in line with Group policies.

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:

## Notes to the consolidated financial statements

For the year ended 31 December 2023

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized 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 (%)	
			2023	2022
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%
Independent Petroleum Group Kenya Limited	Kenya	Trading of crude oil and petroleum products	100%	100%

### e) 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 a 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 recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.



## Notes to the consolidated financial statements

For the year ended 31 December 2023

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 associates.

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.

### f) 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 recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investments in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

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.

### g) 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.

#### **Classification and subsequent measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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

## Notes to the consolidated financial statements

For the year ended 31 December 2023

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 amortized 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 recognized 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 marketplace concerned.

### Business model assessment

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.

Financial assets that are managed, held to collect, 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.

### 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).

### Initial recognition

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL.

### Subsequent measurement

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

- Financial assets at amortized cost (debt instruments);



## Notes to the consolidated financial statements

For the year ended 31 December 2023

- 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 amortized cost

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

Cash and cash equivalents include 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.

### 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 at fair value through profit or loss. 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 recognized 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 at fair value through profit or loss 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. Financial assets as at fair value through profit or loss 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 income 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 liabilities- initial recognition and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective

## Notes to the consolidated financial statements

For the year ended 31 December 2023

interest rate method. Interest expense and foreign exchange gains and losses are recognized in the statement of income. This category includes trade and other payables, due to banks, lease liability and term loans.

### h) 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-recognized (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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes 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 derecognized 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 recognized in the consolidated statement of income.

### i) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortized cost i.e. trade receivables, cash at bank and other loans. No impairment loss is recognized 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 (ECL) 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 recognized.

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 recognized.

Stage 3: Lifetime ECL – credit impaired



## Notes to the consolidated financial statements

For the year ended 31 December 2023

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 foregoing, 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 ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL. At each reporting date, the Group assesses each customer for lifetime ECL based on Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors, and therefore considers any current and potential future adverse macroeconomic conditions arising from economic scenarios and political factors and the likelihood of their occurrence.

Lifetime ECL 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:

## Notes to the consolidated financial statements

For the year ended 31 December 2023

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

The Group recognizes 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.

### j) Offsetting

Financial assets and financial liabilities are offset and the net amount is 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 realize the asset and settle the liability simultaneously.

### k) Derivative financial instrument

Derivatives are initially recognized 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 recognized 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.

### l) Inventory

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

### m) Property and equipment

Property and equipment except freehold land is 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 or assets lease period

The estimated useful lives, residual values or depreciation methods are reviewed at each reporting date, 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 recognized 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.





## Notes to the consolidated financial statements

For the year ended 31 December 2023

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(t)).

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 recognized in the consolidated statement of income.

### n) Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment, and approximates the present value of the final obligation.

### o) 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.

### p) 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.

## Notes to the consolidated financial statements

For the year ended 31 December 2023

### q) Revenue recognition

The Group's performance obligations primarily relates to the delivery of the products to customers.

Revenue is recognized at the point in time when 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 Group expects to receive based on preliminary pricing. Where the Group 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.

### r) Income

Dividend income is recognized in the consolidated income statement on the date that the Group's right to receive such payments is established.

Interest income is recognized 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 amortized 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 amortized 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 amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Gain on sale of investments carried at FVTPL and FVOCI 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 and retained earnings respectively at the time of the sale.

### s) 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.

### t) 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.



## Notes to the consolidated financial statements

For the year ended 31 December 2023

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 recognized 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 recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of income.

### u) 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.

### v) 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.

### w) 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.

### x) Leases

#### **Group as a lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### **Right of use assets**

The Group recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated amortization and impairment losses in accordance with IAS 36 Impairment of Assets, and adjusted for any re-measurement of lease liabilities.

The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease

## Notes to the consolidated financial statements

For the year ended 31 December 2023

incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

### Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within general and administrative expenses heads in the consolidated statement of income.

## 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 recognized 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 recognized 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.



## Notes to the consolidated financial statements

For the year ended 31 December 2023

(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 management. 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.

(vi) Allowance for expected credit losses

The determination of expected credit losses and the factors determining the impairment of the receivable involve significant judgment.

(vii) Leases

Critical judgements required in the application of IFRS 16 include, among others, the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement,.
- Determining the stand-alone selling prices of lease and non-lease components.

**b) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date 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:

## Notes to the consolidated financial statements

For the year ended 31 December 2023

(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 Groups' 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.

(iv) Leases

Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:

- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

(v) Allowance for expected credit losses

The extent of allowance for expected credit losses involves estimation process. Allowance for expected credit losses is based on a forward looking ECL approach as explained in Note 2(i). Bad debts are written off when identified. The ECL allowance and write-down of accounts receivable are subject to management approval.

## 4. Cash on hand and at banks

	2023 KD'000	2022 KD'000
Cash on hand and at banks	18,929	23,471
Call accounts and time deposits	60,369	85,042
	<b>79,298</b>	<b>108,513</b>

Time deposits earned interest at an average effective interest rate of 4.5% (2022: 3%) per annum and mature within 3 months (2022: 3 months) from the date of the placement.

## 5. Investments

	2023 KD'000	2022 KD'000
<b>Investments at fair value through profit or loss</b>		
Managed portfolios	67,233	60,944
	<b>67,233</b>	<b>60,944</b>



## Notes to the consolidated financial statements

For the year ended 31 December 2023

	2023 KD'000	2022 KD'000
<b>Investments at fair value through other comprehensive income</b>		
Unquoted securities (Current)	1,316	1,266
Unquoted securities (Non – Current)	27,186	27,361
	<b>28,502</b>	<b>28,627</b>

Investments at fair value through profit or loss with a carrying amount of KD 67.23 million (2022: KD 60.94 million) are pledged as collateral against amounts due to banks (Note 12).

During the year, the Group has fair valued its investment in Vopak Horizon Fujairah Limited (VHFL) (unquoted equity security), and a fair value loss of KD 0.18 million is recognized (2022: fair value gain of KD 0.68 million) in fair value reserve in equity. At the reporting date, the fair value of VHFL was KD 25.44 million (2022: KD 25.62 million). The Group's ownership interest in VHFL is 11.1% (2022: 11.1%). The fair value was based on discounted cash flows using a rate based on the risk-free rate of 3.88% (2022: 3.88%) and the risk premium of 6.79% (2022: 4.7%) specific to the investment.

The unquoted securities also include Group's investment of 12.5% (2022: 12.5%) in Asia Petroleum Ltd. (APL), carried at fair value of KD 1.74 million (2022: 1.74 million). The fair value was determined based on discounted cash flows using a rate based on the risk-free rate of 3.88% (2022: 3.88%) and the risk premium of 20.18% (2022: 10.67%) specific to the investment.

The significant unobservable inputs used in the fair value measurements categorized of unquoted equity securities within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2023 and 2022 are shown below:

	<b>Increase of 50 basis points</b>	
	2023 KD'000	2022 KD'000
Cost of equity	(1,880)	(2,066)
Terminal growth rate	1,328	1,452

## 6. Trade and other receivables

	2023 KD'000	2022 KD'000
Net trade receivables (i) and (Note 38)	177,490	64,606
Prepaid expenses	2,498	1,514
Refundable deposits and taxes	31	31
Others (ii)	7,326	6,846
	<b>187,345</b>	<b>72,997</b>

- i) The Group's credit period varies from customer to customer. Trade receivables are short term in nature and carry 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.

## Notes to the consolidated financial statements

For the year ended 31 December 2023

During the year, the Group has recognized provisions towards expected credit losses on trade receivables amounting to KD 5.6 million (31 December 2022: reversed a provision of KD 0.40 million). The management has assessed that the provisions are a collective impact of the prevailing economic and political situation in the region, effect of market deterioration on the Group's local and international operations, default events including delay in payments during the year ended 31 December 2023.

- ii) During the prior year, the Group has reclassified an amount previously classified as other receivables to investment in associates and other loans, due to completion the incorporation legal formalities of these associates (Note 7) and (Note 9).

The movement in allowance for expected credit losses is as follows:

	2023 KD'000	2022 KD'000
Balance at the beginning of the year	(52,438)	(51,680)
Net Provisions (charged) reversed (Note 24)	(5,592)	405
Foreign currency translation adjustments	391	(1,163)
<b>Balance at the end of the year</b>	<b>(57,639)</b>	<b>(52,438)</b>

The average aging of net trade receivables was 3 to 6 months.

## 7. Other loans

	2023 KD'000	2022 KD'000
<u>Current portion of other loans:</u>		
Galp-IPG Matola Terminal Limitada (GIMTL) (Note i)	6,169	11,914
IPG-Galp Beira Terminal Limitada (IGBTL) (Note i)	7,374	8,656
	<b>13,543</b>	<b>20,570</b>
<u>Non-current portion of other loans:</u>		
Arabtank Terminals Limited (non-current) (Note ii)	4,538	4,877
	<b>4,538</b>	<b>4,877</b>
	<b>18,081</b>	<b>25,447</b>

- i. During the prior year, the Group has reclassified certain amount previously classified as other receivables (Note 6) to other loans, after completing the incorporation' legal formalities of the associates. The Group had provided loan facilities amounting to KD 11.91 million to Galp-IPG Matola Terminal Limitada (GIMTL), Mozambique and KD 8.66 million to IPG-Galp Beira Terminal Limitada (IGBTL) Mozambique which carries interest at market rate.
- ii. The Group has provided Arabtank Terminals Ltd., Kingdom of Saudi Arabia, an associate of the Group the following loans:
- a) Long-term subordinated loan of an amount of KD 0.72 million (2022: KD 0.73 million). The interest rate for the above loans vary from 3% to 8% (2022: 3% to 8%) per annum.
- b) In August 2015, the Group has agreed to finance the 'Debottlenecking' project of Arabtank Terminals in Yanbu, Kingdom of Saudi Arabia, which is currently being utilized 100% by the Group on long term lease. The project is expected to improve the operational flexibility of the terminal, add value to the terminal and enhance the revenue of both ATT and the





## Notes to the consolidated financial statements

For the year ended 31 December 2023

Group. The loan amount was for KD 3.82 million (2022: KD 4.15 million) and carries interest at market rate to be repaid in semi-annual instalments after commissioning of the project.

### 8. Investment in a joint venture

	2023 KD'000	2022 KD'000
<b>Uniterminals S.A.L., Lebanon</b>	<b>6,500</b>	6,837

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

	2023 KD'000	2022 KD'000
Current assets	19,945	28,248
Non-current assets	8,025	12,899
Current liabilities	(14,362)	(26,981)
Non-current liabilities	(608)	(492)
<b>Net Assets</b>	<b>13,000</b>	13,674
<b>Group's share of net assets</b>	<b>6,500</b>	6,837
Operating profit	5,355	7,925
Loan interest and other expenses	(200)	(745)
<b>Profit for the year</b>	<b>5,155</b>	7,180
<b>Group's share of profit for the year (Note 23)</b>	<b>2,578</b>	3,590

The functional currency of the Joint Venture is USD. During the year, the Group received a dividend of KD 3.35 million (2022: KD 1.68 million) from joint venture.

### 9. Investment in associates

	Location	Percentage of ownership	2023 KD'000	2022 KD'000
Inpetro SARL	Mozambique	40%	782	1,061
Arabtank Terminals Ltd	Kingdom of Saudi Arabia	36.5%	5,373	5,393
Horizon Djibouti Holdings Ltd.	Djibouti	22.22%	8,291	6,612
Horizon Singapore Terminals Private Ltd	Singapore	15%	5,083	5,192
Horizon Tangiers Terminals SA	Morocco	32.5%	8,266	8,016
Galp-IPG Matola Terminal Limitada (GIMTL)	Mozambique	45%	1,541	835
IPG-Galp Beira Terminal Limitada (IGBTL)	Mozambique	45%	2,129	1,254
			<b>31,465</b>	<b>28,363</b>

#### 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:

## Notes to the consolidated financial statements

For the year ended 31 December 2023

	2023 KD'000	2022 KD'000
Total assets	1,141	1,454
Total liabilities	(359)	(393)
<b>Net assets</b>	<b>782</b>	<b>1,061</b>
	2023 KD'000	2022 KD'000
Operating income	859	1,145
Operating expenses	(645)	(566)
<b>Profit for the year (Note 23)</b>	<b>214</b>	<b>579</b>

### Arabtank Terminals Ltd (ATT)

The Group's investment in ATT represents its share of investment in the first phase of the project towards chemical product storage facilities and its share in the second phase of the project towards petroleum product storage facilities. The Group's share of interest in the associate as of 31 December is summarized as follows:

	2023 KD'000	2022 KD'000
Total assets	10,936	11,461
Total liabilities	(5,563)	(6,068)
<b>Net assets</b>	<b>5,373</b>	<b>5,393</b>
Operating income	1,397	1,356
Operating expenses	(1,391)	(1,570)
<b>Profit (loss) for the year (Note 23)</b>	<b>6</b>	<b>(214)</b>

### Horizon Djibouti Holdings Ltd (HDHL)

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:

	2023 KD'000	2022 KD'000
Total assets	8,961	7,481
Total liabilities	(670)	(869)
<b>Net assets</b>	<b>8,291</b>	<b>6,612</b>
	2023 KD'000	2022 KD'000
Operating income	2,701	2,614
Operating expenses	(966)	(1,679)
<b>Profit for the year (Note 23)</b>	<b>1,735</b>	<b>935</b>

### Horizon Singapore Terminals Private Ltd (HSTPL)

The Group's investment in HSTPL represents 15% share in the issued and paid-up share capital. As per the shareholders' agreement dated 29 March 2005, all commercial, technical and operating



## Notes to the consolidated financial statements

For the year ended 31 December 2023

policy decisions require the approval of shareholders together holding not less than 86% of the issued share capital of the investee company. On this basis the Group has significant influence but not overall control over the financial and operating policy decisions of the investee company. The Group's share of interest in the associate as of 31 December is summarized as follows:

	<b>2023</b>	2022
	<b>KD'000</b>	KD'000
Total assets	<b>10,965</b>	11,183
Total liabilities	<b>(5,882)</b>	(5,991)
<b>Net assets</b>	<b>5,083</b>	5,192
Operating income	<b>4,062</b>	3,671
Operating expenses	<b>(2,383)</b>	(2,233)
<b>Profit for the year (Note 23)</b>	<b>1,679</b>	1,438

### Horizon Tangiers Terminals SA (HTTSA)

The Group's investment in HTTSA 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:

	<b>2023</b>	2022
	<b>KD'000</b>	KD'000
Total asset	<b>8,961</b>	8,375
Total liabilities	<b>(695)</b>	(359)
<b>Net assets</b>	<b>8,266</b>	8,016
Operating income	<b>3,546</b>	3,248
Operating expenses	<b>(2,428)</b>	(2,009)
<b>Profit for the year (Note 23)</b>	<b>1,118</b>	1,239

### Galp-IPG Matola Terminal Limitada (GIMTL)

During the prior year, the Group has reclassified an amount previously classified as other receivables to investment in associates, subsequent to finalization of legal formalities to incorporate the associate (Note 6). The Group's investment in GIMTL 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:

	<b>2023</b>	2022
	<b>KD'000</b>	KD'000
Total assets	<b>11,992</b>	13,707
Total liabilities	<b>(10,451)</b>	(12,872)
<b>Net assets</b>	<b>1,541</b>	835
Operating income	<b>1,413</b>	1,308
Operating expenses	<b>(1,273)</b>	(1,421)
<b>Profit (Loss) for the year (Note 23)</b>	<b>140</b>	(113)

## Notes to the consolidated financial statements

For the year ended 31 December 2023

### IPG-Galp Beira Terminal Limitada (IGBTL)

During the prior year, the Group has reclassified an amount previously classified as other receivables to investment in associates, subsequent to finalization of legal formalities to incorporate the associate (Note 6). The Group's investment in IGBTL 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:

	<b>2023</b> <b>KD'000</b>	2022 KD'000
Total assets	<b>9,673</b>	10,869
Total liabilities	<b>(7,544)</b>	(9,615)
<b>Net assets</b>	<b>2,129</b>	1,254
	<b>2023</b> <b>KD'000</b>	2022 KD'000
Operating income	<b>1,189</b>	1,187
Operating expenses	<b>(654)</b>	(1,006)
<b>Profit for the year (Note 23)</b>	<b>535</b>	181

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

	<b>2023</b> <b>KD'000</b>	2022 KD'000
Total assets	<b>221,956</b>	223,640
Total liabilities	<b>(100,491)</b>	(112,540)
<b>Net assets</b>	<b>121,465</b>	111,100
Operating income	<b>61,905</b>	58,354
Operating expenses	<b>(37,412)</b>	(39,736)
<b>Profit for the year</b>	<b>24,493</b>	18,618

During the year, the Group received a dividend of KD 4.18 million (2022: KD 5.8 million) from its associates.

## Notes to the consolidated financial statements

For the year ended 31 December 2023

### 10. Property and equipment

	Freehold Land KD'000	Buildings KD'000	Vessels KD'000	Furniture, equipment and computer software KD'000	Motor vehicles KD'000	Leasehold improvements KD'000	Capital Work in Progress KD'000	Total KD'000
<b>Cost:</b>								
As at 1 January 2022	544	1,692	36,542	1,246	225	73	3,759	44,081
Additions	-	-	-	339	-	-	-	339
Transfer	-	1,580	-	2,155	24	-	(3,759)	-
Currency translation effects	-	-	(1,123)	99	13	(5)	-	(1,016)
As at 31 December 2022	544	3,272	35,419	3,839	262	68	-	43,404
Additions	-	1	-	89	9	-	-	99
Currency translation effects	-	(6)	244	(99)	(6)	5	-	138
<b>As at 31 December 2023</b>	<b>544</b>	<b>3,267</b>	<b>35,663</b>	<b>3,829</b>	<b>265</b>	<b>73</b>	-	<b>43,641</b>
<b>Accumulated depreciation:</b>								
As at 1 January 2022	-	1,343	11,178	1,105	129	73	-	13,828
Charge for the year	-	54	1,643	80	29	-	-	1,806
Currency translation effects	-	-	(1,559)	(3)	4	(11)	-	(1,569)
As at 31 December 2022	-	1,397	11,262	1,182	162	62	-	14,065
Charge for the year	-	76	1,434	138	29	-	-	1,677
Currency translation effects	-	-	244	29	2	5	-	280
<b>As at 31 December 2023</b>	-	<b>1,473</b>	<b>12,940</b>	<b>1,349</b>	<b>193</b>	<b>67</b>	-	<b>16,022</b>
Carrying amount								
<b>As at 31 December 2023</b>	<b>544</b>	<b>1,794</b>	<b>22,723</b>	<b>2,480</b>	<b>72</b>	<b>6</b>	-	<b>27,619</b>
As at 31 December 2022	544	1,875	24,157	2,657	100	6	-	29,339

a) During the prior year, the vessels have been collateralized against term loan (Note 14).

b) As per the CMA clause (1/c) and (2/c) of Appendix No. (1) (Real Estate Assets Valuation) of Module Eleven (Dealing in Securities) of the Executive Bylaws of Law No. 7 of 2010 as amended, the fair value of land and buildings in Kuwait is KD 2.74 million (2022: 2.70 million) being the lower of 2 valuations of which one is a bank and the other is an independent external valuer. The carrying amount of Land and Buildings is KD 0.81 million (2022: KD 0.85 million) and the Group carries its land at cost and building at cost less depreciation.

## Notes to the consolidated financial statements

For the year ended 31 December 2023

The Group's management conducted a review of its vessels to determine if there are any indicators of impairment. Accordingly, the Group reassessed the recoverable value of its vessels and concluded that there are no indications of additional impairment.

### 11. Right of use asset

The Group leases terminals for storage of its products. The average lease term ranges between 24 to 96 months.

The movement of right of use assets are as follows:

	KD'000
Balance at 1 January 2022	5,583
Additions during the year (a)	24,715
Amortization charge for the year	(4,171)
Foreign currency translation adjustments	102
<b>Balance at 31 December 2022</b>	<b>26,229</b>
Amortization charge for the year	(5,896)
Foreign currency translation adjustments	(142)
<b>Balance at 31 December 2023</b>	<b>20,191</b>

a) Prior year's additions represent extensions of term for two of the existing contracts for terminals for 2 years and new contracts for two terminals for 8 years.

Expenses related to right of use assets recognized in consolidated statement of income were as follows:

	2023 KD'000	2022 KD'000
Expenses relating to short term leases	1,186	625
Amortization charge for the year	5,896	4,171
Interest expense on lease liability (Note 16)	954	369
<b>Total amount recognized in the consolidated statement of income</b>	<b>8,036</b>	<b>5,165</b>

### 12. 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 7.2% (2022: 5%) per annum. Due to banks are partially secured by investments at fair value through profit or loss with a carrying amount of KD 67.23 million (2022: KD 60.94 million) (Note 5). The non-current portion is due in November 2025.

### 13. Trade and other payables

	2023 KD'000	2022 KD'000
Trade payables	111,603	55,919
Accrued expenses	35,075	31,037
Accrued staff leave	312	321
Provision for KFAS	82	80
Others	2,699	2,654
	<b>149,771</b>	<b>90,011</b>



## Notes to the consolidated financial statements

For the year ended 31 December 2023

### 14. Term loans

Term loans relates to the financing of the vessels acquired through DKHL (a subsidiary). The term loans were denominated in USD, secured by the mortgage of the vessels (Note 10) and carried an interest rate of 1.75% to 5.32% per annum. During the year the loan was repaid fully.

### 15. Provision for staff indemnity

	2023 KD'000	2022 KD'000
Balance at 1 January	1,437	1,363
Charge for the year	389	175
Paid during the year	(47)	(101)
Balance at 31 December	<u>1,779</u>	<u>1,437</u>

### 16. Lease liabilities

The movement of the lease liabilities during the year are as follows:

	2023 KD'000	2022 KD'000
Balance at 1 January	26,391	5,665
Additions	-	24,715
Interest on lease liabilities	954	369
Paid during the year	(6,659)	(4,358)
<b>As at 31 December</b>	<u><b>20,686</b></u>	<u>26,391</u>

Analyzed as:

	2023 KD'000	2022 KD'000
Current portion	4,995	5,563
Non-current portion	15,691	20,828
<b>Total present value of minimum lease</b>	<u><b>20,686</b></u>	<u>26,391</u>

	Minimum lease payments		Present value of minimum lease payments	
	2023 KD'000	2022 KD'000	2023 KD'000	2022 KD'000
<u>Amounts payable relating to leases</u>				
Within one year	5,724	6,774	4,995	5,563
From second year inclusive	17,742	23,705	15,691	20,828
	<u>23,466</u>	30,479	<u>20,686</u>	26,391
Less: Unamortized future finance charge	(2,780)	(4,088)	-	-
Present value of minimum lease payments	<u>20,686</u>	26,391	<u>20,686</u>	26,391

### 17. Share capital

The authorized, issued and fully paid-up share capital consists of 188,407,500 shares of 100 fils each (2022: 188,407,500 shares of 100 fils each), fully paid in cash.

## Notes to the consolidated financial statements

For the year ended 31 December 2023

### 18. 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. Since the legal reserve has reached 50% of the Parent company's issued capital, the Parent Company had ceased transfers to statutory reserve.

### 19. 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.

### 20. Treasury shares

	2023	2022
Number of shares	7,620,000	7,620,000
Percentage of issued shares	4%	4%
Market value (KD million)	3.36	3.89
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 2023. Such amount will not be available for distribution during treasury shares holding period. Treasury shares are not pledged.

### 21. Revenue

Revenue from contracts with customers represent revenue from trading in crude oil and petroleum products is disaggregated by major products and reconciled with the amounts disclosed in the segment information (Note 33).

	2023 KD'000	2022 KD'000
Sale of crude oil and petroleum products	1,067,544	1,646,039

### 22. Net interest relating to oil marketing operations

	2023 KD'000	2022 KD'000
Interest income	3,470	1,427
Interest expense	(14,738)	(10,297)
	<u>(11,268)</u>	<u>(8,870)</u>





## Notes to the consolidated financial statements

For the year ended 31 December 2023

### 23. Share of results from a joint venture and associates

	2023 KD'000	2022 KD'000
Inpetro SARL (Note 9)	214	579
Arabtank Terminals Ltd. (Note 9)	6	(214)
Horizon Djibouti Holdings Ltd (Note 9)	1,735	935
Horizon Singapore Terminals Private Ltd., (Note 9)	1,679	1,438
Horizon Tangiers Terminals (Note 9)	1,118	1,239
Galp-IPG Matola Terminal Limitada (GIMTL) (Note 9)	140	(113)
IPG-Galp Beira Terminal Limitada (IGBTL) (Note 9)	535	181
Uniterminals S.A.L. (Note 8)	2,578	3,590
	<b>8,005</b>	<b>7,635</b>

### 24. Net provisions (charged) reversed

	2023 KD'000	2022 KD'000
Provision for expected credit loss on trade receivables (Note 6)	(5,592)	405
	<b>(5,592)</b>	<b>405</b>

### 25. Investment income

	2023 KD'000	2022 KD'000
Unrealized gain (loss) from investments at fair value through profit or loss	6,746	(10,227)
Dividend income	3,108	5,608
	<b>9,854</b>	<b>(4,619)</b>

During the year ended 31 December 2023, the Group received dividends from VHFL of KD 3.08 million (2022: KD 5.24 million) and from Asia Petroleum Limited (APL) of KD 0.028 million (2022: KD 0.36 million).

### 26. Net other expenses

	2023 KD'000	2022 KD'000
Foreign currency exchange loss	(1,441)	(1,334)
	<b>(1,441)</b>	<b>(1,334)</b>

## Notes to the consolidated financial statements

For the year ended 31 December 2023

### 27. 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 the year ended 31 December 2023, the Group has provided for KFAS amounting to KD 0.082 Million (2022: KD 0.080 Million) and the Group has paid KD 0.080 Million (2022: KD 0.075 Million). The KFAS payable as of 31 December 2023 is KD 0.082 Million (2022: KD 0.080 million).

### 28. 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 2023.

### 29. 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:

	<u>2023</u>	<u>2022</u>
<b>Profit for the year (KD'000)</b>	<b>7,818</b>	7,656
Weighted average number of issued shares outstanding	<b>188,407,500</b>	188,407,500
Weighted average number of treasury shares outstanding	<b>(7,620,000)</b>	(7,620,000)
<b>Weighted average number of shares outstanding</b>	<b>180,787,500</b>	180,787,500
<b>Earnings per share (fils)</b>	<b>43.24</b>	42.35

### 30. Proposed dividends

The Board of Directors proposed a cash dividend of 30 fils per share for the year ended 31 December 2023 (2022: 30 fils per share). This proposal is subject to the approval of the Shareholders' Annual General Assembly.

### 31. Annual general assembly

The Shareholders' Annual General Assembly held on 6 February 2023, approved the annual audited consolidated financial statements for the year ended 31 December 2022, and payment of a cash dividend of 30 fils per share for the year ended 31 December 2022.

The Shareholders' Annual General Assembly held on 9 March 2022, approved the annual audited consolidated financial statements for the year ended 31 December 2021, and payment of a cash dividend of 30 fils per share for the year ended 31 December 2021.



## Notes to the consolidated financial statements

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### 32. Related party transactions and balances

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

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

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

	Joint Venture KD'000	Associates KD'000	Total 2023 KD'000	Total 2022 KD'000
<b>1 Revenues:</b>				
Sales	182,239	-	<b>182,239</b>	201,142
Storage expense	-	7,301	<b>7,301</b>	8,056
Finance charges	-	954	<b>954</b>	369
<b>2 Due from / to related parties:</b>				
Trade and other receivables	23,528	-	<b>23,528</b>	8,332
Trade and other payables	-	2,490	<b>2,490</b>	3,598
Other loans (Note 7)	-	18,081	<b>18,081</b>	25,447
Lease liabilities (Note 16)	-	20,686	<b>20,686</b>	26,391
<b>3 Key management compensation</b>				
Salaries and other short-term benefits			<b>1,072</b>	1,044
Terminal benefits			<b>115</b>	90
			<b>1,187</b>	1,134

## Notes to the consolidated financial statements

For the year ended 31 December 2023

### 33. 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 summarized as follows:

	2023			2022			
	Africa and Middle East KD'000	Europe KD'000	Asia and Far East KD'000	Africa and Middle East KD'000	Europe KD'000	Asia and Far East KD'000	Total KD'000
Sales	1,067,544	-	-	1,630,420	-	15,619	1,646,039
Segment result	16,274	-	1,707	26,970	-	2,104	29,074
Unallocated corporate items							(21,418)
Profit for the year							7,656
<b>Other information:</b>							
Trade and other receivables	187,345	-	-	71,736	-	1,261	72,997
Unallocated corporate assets							366,040
Total assets							439,037
Segment liabilities	68,904	34,490	8,209	31,515	14,768	9,636	55,919
Unallocated corporate liabilities							283,056
Total liabilities							338,975

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

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



## Notes to the consolidated financial statements

For the year ended 31 December 2023

### 34. 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 optimizing 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 significantly 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 2023, if interest rates on borrowings (due to banks and term loans) and short-term deposits had been 1% (2022: 1%) higher / lower with all other variables held constant, profit for the year would have been increased / decreased by KD 1.56 Million respectively (2022: profit for the year would have been increased / decreased by KD 1.36 Million).

The Group's exposures to interest rates on term deposits, due to banks and term loans are detailed in Notes 4, 12 and 14 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 profit or loss. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

As at 31 December 2023, if the net asset value of the managed portfolio would have increased / decreased by 5% (2022: 5%), the profit for the year would have increased / decreased by KD 3.36 million (2022: profit for the year would have increased or decreased by KD 3.05 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 in banks, trade and other receivables and other loans as disclosed in Note 4, Note 6 and Note 7 respectively.

## Notes to the consolidated financial statements

For the year ended 31 December 2023

### Trade receivables and other loans

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, a 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.

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 ECL. The lifetime ECL 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 the 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 with various reputed financial institutions carrying high credit rating. The Group's cash at banks is 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 2023.

### **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 are due within one year except for non-current portion of due to banks and non-current portion of lease liabilities. Non-current portion of lease liabilities is due in 8 years amounting to KD 15.69 million (2022: KD 20.83 million). The non-current portion of due to banks amounting to KD 12.15 million (2022: KD 18.46 million) is due in 3 years.

## **35. 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:

## Notes to the consolidated financial statements

For the year ended 31 December 2023

### 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
<b>2023</b>				
Investments at fair value through other comprehensive income	-	1,316	27,186	28,502
Investments at fair value through profit or loss	67,233	-	-	67,233
	<u>67,233</u>	<u>1,316</u>	<u>27,186</u>	<u>95,735</u>
<b>2022</b>				
Investments at fair value through other comprehensive income	-	1,266	27,361	28,627
Investments at fair value through profit or loss	60,944	-	-	60,944
	<u>60,944</u>	<u>1,266</u>	<u>27,361</u>	<u>89,571</u>

During the years ended 31 December 2023 and 31 December 2022, there were no transfer amounts between the fair value levels.

The fair value of the financial assets and financial liabilities are subjective in nature and are significantly affected by the assumptions made and the discount rates used.

### 31 December 2023

	At 1 January 2023 KD'000	Change in fair value KD'000	At 31 December 2023 KD'000
Investments at fair value through other comprehensive income	27,361	(175)	27,186
	<u>27,361</u>	<u>(175)</u>	<u>27,186</u>

## Notes to the consolidated financial statements

For the year ended 31 December 2023

31 December 2022

	At 1 January 2022	Change in fair value	At 31 December 2022
	KD'000	KD'000	KD'000
Investments at fair value through other comprehensive income	26,683	678	27,361
	<u>26,683</u>	<u>678</u>	<u>27,361</u>

The level 2 and 3 assets unobservable inputs and sensitivity are as follows

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Investments at fair value through other comprehensive income	Growth rate	0% to 1.1%	0.25% change would increase/decrease fair value by KD 0.634 million / (0.582) million
	Discount rate	19%	1% change would increase/decrease fair value by KD 4.904 million / KD (3.491) million

### Future and swap contracts

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

		Notional amount 2023 KD'000	Notional amount 2022 KD'000	Fair value 2023 KD'000	Fair value 2022 KD'000
Swap contracts	Buy	1,669	303	1,682	321
Swap contracts	Sell	8,132	5,253	7,747	4,951
Future contracts	Buy	7,482	7,624	7,635	7,814
Future contracts	Sell	17,746	21,285	18,280	22,408

## 36. Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's strategy remains unchanged from 2022.

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.





## Notes to the consolidated financial statements

For the year ended 31 December 2023

	2023 KD'000	2022 KD'000
Due to banks, term loans and lease liabilities (Note 12,14 and 16)	237,171	247,427
Less: cash on hand and at banks (Note 4)	(79,298)	(108,513)
<b>Net debt</b>	<b>157,873</b>	138,914
<b>Total equity</b>	<b>104,649</b>	100,062
<b>Total capital resources</b>	<b>262,522</b>	238,976
Gearing ratio	60%	58%

### 37. Contingent liabilities and commitments

At 31 December 2023, the Group is contingently liable in respect of the following:

	2023 KD'000	2022 KD'000
Contingent liabilities:		
Letters of guarantee and bid bonds	15,517	2,223
Letters of credit	196,954	83,163
	<b>212,471</b>	85,386
Commitments:		
Investments in projects	6,734	4,145

### 38. Impact of COVID 19

The recent spread of the coronavirus ("COVID-19") across various geographies globally, which was declared a pandemic by the World Health Organization, has caused disruption to business and economic activities. The fiscal and monetary authorities around the world, including Kuwait, have announced various support measures across the globe to counter the possible adverse implications of COVID-19. This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 December 2023.

#### (i) Credit risk management

The management of the Group has taken several measures to manage its risk associated with the pandemic, including identification of the most vulnerable sectors primarily affected and placing added measures to ensure a high level of scrutiny.

The uncertainties caused by COVID-19 required the Group to consider the impact of higher volatility in the forward looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at 31 December 2023. For its international operations, the Group updated the relevant forward-looking information relating to the macroeconomic environment used to determine the likelihood of credit losses, relative to the economic climate of the respective market in which they operate.

#### (ii) Liquidity risk management

In response to the COVID 19 outbreak, the Group is closely evaluating its liquidity and funding position and taking appropriate actions. The Group will continue to assess its liquidity position by closely monitoring its cash flows and forecasts.

#### (iii) Fair value measurement of financial instruments

The Group has considered potential impacts of the current market volatility in determination of the

## Notes to the consolidated financial statements

For the year ended 31 December 2023

reported amounts of the Group's unquoted financial assets, and this represent management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group has assessed whether the fair values of the financial assets and liabilities represents the price that would be achieved for transactions between market participants in the current scenario. As a result of the exercise, management has concluded that no impairment provision is considered necessary in the consolidated statement of income for the year ended 31 December 2023.

Further information on the Group's policy in relation to impairment is disclosed in Note 2 (i) and expected credit loss pursuant to the assessment is disclosed in Note 6.

*(iv) Fair value measurement of non-financial instruments (Property, plant and equipment, right of use assets, Investment in associates and joint ventures)*

As at the reporting date, the Group has identified impact on the carrying values of its non-financial assets as at 31 December 2023 due to impact of COVID-19 arising from an impact on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2023. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial statements.

The existing and anticipated effects of the outbreak of COVID-19 on the global economy and financial markets is expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group's financial performance, cash flows and financial position in the future. The Group will continue to monitor the market outlook and update its assumptions, and forecasts as that may have a substantial impact on the consolidated financial statement in the future.

The Group is gradually monitoring the impact of COVID-19 on its operating environment across the regions. The impact of the COVID-19 on the end of the financial year of 31 December 2023 is minimal and not significant.



**Corporate Governance Report 2023**

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## Corporate Governance Report 2023

### About the Group

Independent Petroleum Group KSC (Closed) (IPG) was incorporated as a Kuwaiti Closed Shareholding Company on **11 September 1976**. On **10 December 1995**, its shares were listed on the Kuwait Stock Exchange. IPG's main objectives include the marketing of petroleum products and crude oil and establishing petroleum logistics facilities to achieve its objectives.

After the invasion of Kuwait on the **2<sup>nd</sup> of August 1990**, the Group established on **8th August 1990** a wholly owned subsidiary outside Kuwait, in the Commonwealth of the Bahamas, under the name of Independent Petroleum Group Limited, to proceed to achieve the objectives of the parent company. The subsidiary later became the international trading arm for all IPG operations.

Pursuant to a memorandum issued by the Department of Shareholding Companies under No. 207 dated **25 March 2014** and pursuant to a resolution of the ordinary and extraordinary General Assembly held on **10 March 2014**, approval was given to annotate the Commercial Register to the reconciliation of IPG's status in full and to the registration of IPG in the Commercial Register, in accordance with the provisions of the new amended Companies Law No. 97/2013 and the Resolution of the Minister Commerce and Industry No. 425/2013 issuing the Executive Regulations of Decree-Law No. 25/2012, as amended, rendering IPG a Kuwaiti Public Shareholding Company (KSCP).

**IPG's issued and fully paid-up capital is KD 18,840,750, consisting of 188,407,500 shares with a nominal value of 100 Fils per share.**

### Main Shareholders

The main shareholders are the major shareholders who own 5% or more of IPG's capital as of **31 December 2023**.

No.	Shareholder's Name	Percentage (%)
1	<i>Markaz Energy Fund</i>	<b>8.487</b>
2	<i>Al Ahlia Insurance Company</i>	<b>6.759</b>
3	<i>Ali Mohammad Al-Radwan and his Group (Ali Al-Radwan and Sons General Trading Company) Direct and indirect.</i>	<b>6.239</b>
4	<i>Kuwaiti Financial Company (Markaz) – Clients 1</i>	<b>6.128</b>

### Corporate Governance Framework, Rules and Regulations

Independent Petroleum Group K.S.C.P. (IPG) continuously works to develop the requirements of its corporate governance framework, seeking, since the enactment of corporate governance laws and rules, to achieve optimal application of these rules. IPG's efforts in this regard are deeply rooted in its belief in the principles and practices of sound governance, for the best protection and finest balance between the Group's interests and those of its shareholders, in order to enhance investors' confidence in its business efficiency and performance.

IPG is keen to promote the culture of governance and performance of its duties and responsibilities by adopting standards and practices that form the basis of the governance process, in addition to periodical follow up by IPG management of all decisions, and amendments thereto, issued by the regulatory authorities, with a view to achieving effective control and management and the consequent adoption of professional and ethical standards in all transactions and disclosures and in the transparency of information in an accurate and timely manner, thereby strengthening the confidence of shareholders, all related parties and stakeholders in the Group's performance.



**Corporate Governance Report 2023**

The following is a brief outline of the governance applications and mechanisms adopted by the Independent Petroleum Group for the fiscal year ended on 31 December 2023, including the requirements and procedures governing corporate governance as set forth in Part (XV) of the Executive Regulations amending the Capital Markets Authority Law for the year 2010, and subsequent amendment, and the extent of compliance therewith.

**Rule I  
Construct a Balanced Board Composition**

• **Brief on the Composition of the Board of Directors:**

By means of a memorandum issued by the Shareholding Companies Department under No. 12136 on 20 February 2022, based on the extra-ordinary general assembly meeting held on 16 February 2022, agreement was given, and the Commercial Register was annotated with the amendment of the text of Article 14 of the articles of association of the company to read as follows:

“The Company shall be managed by a board of directors consisting of ten members to be elected by the general assembly by secret ballot” for a term of three years

(2022 – 2023 – 2024), of whom four shall be non-executive, including the Chairman of the board of directors and four shall be executive and shall participate in the daily activities of the Group, and two members shall be independent and shall possess specialized experience and qualifications thereby making up the number sufficient to form the necessary board committees within the requirements of corporate governance and so that the board of directors will have an organization structure appropriate to the size and nature of the Group’s activity.

**The following is a list of the Board of Directors’ members’ names and positions, showing each member’s classification, academic qualification and date of election or appointment:**

Name	Member Classification	Qualifications and Experiences	Date of Election / Appointment
<b>Ali M. Al-Radwan</b>  Founder Chairman of the Board of Directors	Non-Executive	<p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>Bachelor of Law, Cairo University, 1961.</li> </ul> <p><b>Work Experience:</b></p> <p><b>Currently:</b></p> <ul style="list-style-type: none"> <li>Founder and partner in Ali Al-Radwan &amp; Partners Law Firm, Kuwait</li> <li>Founder and current member of Kuwait Bar Association</li> <li>Founder and current Chairman of the Board of Directors of the National and German Company for Electronics and Electrical Services</li> </ul> <p><b>Formerly:</b></p> <ul style="list-style-type: none"> <li>Member of the Board of Directors of Kuwait Stock Exchange, Kuwait</li> <li>Member of the Board of Directors of the Kuwait Company for Fuel, Gas and Energy Industries</li> <li>Vice Chairman of the Board of Directors of Kuwait National Petroleum Company</li> <li>Secretary of the National Assembly, Kuwait</li> </ul>	<p><b>(Election)</b> Joined IPG Board of Directors on 11 September 1976</p> <p>◆◆◆</p> <p>Re-Elected Chairman of the Board of Directors On 09 March 2022</p>

## Corporate Governance Report 2023

Name	Member Classification	Qualifications and Experiences	Date of Election / Appointment
<p><b>Ghazi F. AlNafisi</b></p> <p>Founder Vice Chairman of the Board of Directors</p>	Non-Executive	<p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>Diploma in Aeronautical Engineering, Chelsea College, University of London, June - 1965.</li> <li>Two-year special training course at British Petroleum on aviation fuel.</li> </ul> <p><b>Work Experience:</b></p> <p><b>Currently:</b></p> <ul style="list-style-type: none"> <li>Member of the Board of Directors of Arcapita Bank, Bahrain</li> <li>Vice Chairman of the Board of Directors, Al-Zad Group Trading Company, Kuwait</li> <li>Chairman and Managing Director of Sahlia Real Estate Company, Kuwait</li> <li>Chairman of the Board, Hotel Owners Association</li> </ul> <p><b>Formerly:</b></p> <ul style="list-style-type: none"> <li>Chairman and Managing Director of the National Investments Company, Kuwait</li> <li>Chairman of the Board of Directors, Gulf Investments Company, Bahrain</li> <li>Member of the Board of Directors, Kuwait National Petroleum Company</li> <li>Chairman and General Manager of Kuwait Aviation Fueling Company (KAFCO)</li> </ul>	<p><b>(Election)</b> Joined IPG Board of Directors on 11 September 1976</p> <p>◆◆◆</p> <p>Re-Elected Vice Chairman of Board of Directors On 09 March 2022</p>
<p><b>Waleed J. Hadeed</b></p> <p>Founder, Member of the Board of Directors, CEO</p>	Executive	<p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>Bachelor's Degree in Economics and Mathematics, Central Missouri State University, USA, 1967.</li> </ul> <p><b>Practical Work Experience:</b></p> <p><b>Formerly:</b></p> <ul style="list-style-type: none"> <li>General Manager, International Marketing Department (London), Kuwait National Petroleum Company</li> <li>Manager, Middle East Office (Kuwait), International Marketing Department, Kuwait National Petroleum Company</li> <li>Manager of Middle East Office (Singapore), International Marketing Department, Kuwait National Petroleum Company.</li> </ul>	<p><b>(Election)</b> Joined IPG Board of Directors on 11 September 1976</p> <p>◆◆◆</p> <p>Re-Elected Member of the Board of Directors On 09 March 2022</p>



Corporate Governance Report 2023

Name	Member Classification	Qualifications and Experiences	Date of Election / Appointment
<p><b>Samir S. Shammas</b></p> <p>Member of the Board of Directors and Deputy Chief Executive Officer</p>	<p>Executive</p>	<p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>Bachelor's Degree in economics, University of California, Los Angeles, USA, 1976</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>Managing Director (Marketing) IPG KSCP and Board Member of IPG KSCP (2001-2013)</li> <li>Area Coordinator, Kuwait National Petroleum Company</li> <li>Executive Manager of Marketing, Middle East Oil Company (London Branch)</li> <li>Administration Manager, Kuwait Real Estate Company.</li> </ul>	<p>Joined IPG KSCP on 01 July 1992</p> <p>◆◆◆</p> <p>Elected Board Member on 09 March 2022</p>
<p><b>Abdullah A. Zaman</b></p> <p>Founder Member of the Board of Directors</p>	<p>Non-Executive</p>	<p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>Bachelor's Degree in Mathematics, California University, Berkeley, USA, 1964.</li> </ul> <p><b>Work Experience:</b></p> <p><b>Formerly:</b></p> <ul style="list-style-type: none"> <li>Member of the Board of Directors of Spanish Kuwait Petroleum Company</li> <li>Member of the Board of Directors of Kuwait Aviation Fueling Company (KAFCO)</li> <li>Deputy Managing Director for Planning, Kuwait National Petroleum Company</li> <li>Planning Director, International Marketing Department (London), Kuwait National Petroleum Company</li> <li>Planning Department, Headquarters, Kuwait National Petroleum Company</li> <li>Systems Analyst, Kuwait National Petroleum Company</li> </ul>	<p><b>(Election)</b></p> <p>Joined IPG Board of Directors on 11 September 1976</p> <p>◆◆◆</p> <p>Re-Elected Member of the Board of Directors On 09 March 2022</p>

## Corporate Governance Report 2023

Name	Member Classification	Qualifications and Experiences	Date of Election / Appointment
<p><b>Abdullah E. Al-Kandari</b></p> <p>Member of the Board of Directors and Managing Director (Finance)</p>	Executive / Secretary	<p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>Member of the American Institute of Certified Public Accountants, Washington State, USA, 1992</li> <li>Masters in professional accounting from Miami University, 1986</li> <li>Bachelors in accounting, Kuwait University, 1983</li> </ul> <p><b>Work Experience:</b></p> <p><b>Formerly:</b></p> <ul style="list-style-type: none"> <li>Executive Finance Manager, IPG</li> <li>Finance Manager, IPG</li> <li>Costs and Budget Manager, Kuwait Petroleum Corporation, International Operations</li> <li>Auditor, Anwar Alqatami, Grant Thornton</li> <li>Internal Audit Officer, Burgan Bank</li> <li>Training Course specialized in Banking for 15 Months at Burgan Bank</li> </ul>	<p>Joined IPG on 28 March 2001 ◆◆◆</p> <p>Elected on 03 March 2010 ◆◆◆</p> <p>Re-Elected Member of Board of Directors on 09 March 2022 ◆◆◆</p> <p>Appointed Secretary of the Board of Directors on March 29, 2022</p>
<p><b>Mohammad A. Qasim</b></p> <p>Member of the Board of Directors and Managing Director (Marketing)</p>	Executive	<p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>Master's degree in international business, Sofia University, Tokyo, Japan, 1981</li> <li>Banking Studies Diploma, Banking Studies Institute, Kuwait.</li> <li>Bachelor's Degree in economics, Kuwait University, 1972</li> </ul> <p><b>Work Experience:</b></p> <p><b>Formerly:</b></p> <ul style="list-style-type: none"> <li>Deputy Managing Director (Sales), Kuwait Petroleum Corporation</li> <li>Deputy Managing Director, Marketing (Planning) Kuwait Petroleum Corporation</li> <li>Vice President, KPI-Q8</li> <li>Member of the board of directors, KPI and KPE Aviation (UK) Ltd. and Kuwait Petroleum, Spain, Kuwait Petroleum Company, France, Kuwait Petroleum Company, Sweden, Kuwait Petroleum Development Company, Thailand, Kuwait National Petroleum Company</li> <li>Vice Chairman, Refinery / Milano, Joint Venture with AGIP, Italy.</li> <li>Chairman of the board of directors, Kuwait Petroleum, Western Hemisphere, USA</li> <li>Member of the Board of Directors, KAFCO, Kuwait</li> <li>Manager, Crude Oil Sales Department, Kuwait Petroleum Corporation</li> <li>Manager, Sales Manager, Q8 Lubricating Oil, Kuwait Petroleum Corporation</li> <li>Sales Management Department, Kuwait Petroleum Corporation</li> <li>Manager, Kuwait Petroleum Corporation (Coordination Office, Singapore)</li> </ul>	<p>Joined IPG KPSC On 05 December 2004 ◆◆◆</p> <p>Elected on 24 March 2013 ◆◆◆</p> <p>Re-Elected As Board of Directors' member on 09 March 2022</p>





Corporate Governance Report 2023

Name	Member Classification	Qualifications and Experiences	Date of Election / Appointment
		<ul style="list-style-type: none"> <li>Regional Sales Coordinator, Kuwait Petroleum Corporation</li> <li>Assistant Manager, Tokyo Office, Japan, Kuwait Petroleum Corporation</li> <li>Senior Sales representative, Kuwait National Petroleum Company, London Office</li> <li>Trainee Executive Office, Kuwait National Petroleum Company, Marketing Section</li> <li>Supervisor, Bank of Kuwait, and the Middle East</li> </ul>	
<p><b>Abdulaziz S. AlEssa</b></p> <p>Member of the Board of Directors</p>	<p>Independent</p>	<p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>PhD in Civil Engineering, University of Michigan, USA 1971</li> </ul> <p><b>Work Experience:</b></p> <p><b>Currently:</b></p> <ul style="list-style-type: none"> <li>Chairman of the Board of Directors of Sultan Holding Company, since 1999</li> <li>Chairman of the Board of Directors Q International Consultants, since 1991</li> <li>Chairman of the Board of Directors Sultan Education Society, Kuwait since 1979</li> <li>Chairman of the Board of Directors of Kuwait Bottling and Plastic Industries Company since 1976</li> </ul> <p><b>Formerly:</b></p> <ul style="list-style-type: none"> <li>Chairman and Managing Director – Gulf Bank 1989-1992</li> <li>Member of the Higher Studies Council, Kuwait 1986</li> <li>Member of the Council of Higher Education, Kuwait 1986 – 1988</li> <li>Member of the National Council for Education Evaluation 1980 – 1984</li> <li>Member of the Board of Directors, Kuwait National Petroleum Company and Petrochemical Industries Company 1972 – 1975</li> <li>Engineer, Ministry of Public Works 1963-1972</li> </ul>	<p>Elected As Board of Directors' member on 09 March 2022</p>

## Corporate Governance Report 2023

Name	Member Classification	Qualifications and Experiences	Date of Election / Appointment
<p><b>Ibrahim Y. Alghanim</b></p> <p>Member of the Board of Directors</p>	Independent	<p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>Bachelor of Science in Business Administration, California State Polytechnic, Pomona, 1980</li> </ul> <p><b>Work Experience:</b></p> <p><b>Currently:</b></p> <ul style="list-style-type: none"> <li>Chairman of the Board of Directors and Managing Director, Maseelah World Trading Company since 1999</li> <li>Chairman of the Board of Directors of Securities House KSCP</li> </ul> <p><b>Formerly:</b></p> <ul style="list-style-type: none"> <li>Chairman of the Board of Directors of Aman Investment Company KPSC 2009 – 2010</li> <li>Chairman of the Board of Directors of YIACO Medical Company 2000 – 2006</li> <li>Chief Executive Officer of Alghanim Holding Company 1996 – 2000</li> <li>General Manager, YIACO Medical Company 1991 – 1996</li> <li>General Manager, Equipment Company 1986 – 1996</li> <li>Assistant General Manager, Equipment Company 1981 – 1985</li> </ul>	Elected As Board of Directors' member on 09 March 2022
<p><b>Hamad S. Al-Dalali</b></p> <p>Member of the Board of Directors</p>	Non-Executive	<p><b>Academic Qualification:</b></p> <p>Bachelor of Mechanical Engineering, Pennsylvania State University State College, Pennsylvania, 1997 - 2002</p> <p><b>Work Experience:</b></p> <p><b>Currently:</b></p> <ul style="list-style-type: none"> <li>Senior Sales Manager, Baker Hughes, A subsidiary of General Electric Corp., from 2017</li> </ul> <p><b>Formerly:</b></p> <ul style="list-style-type: none"> <li>Operations Manager, Schlumberger Drilling and Measurement Company, Kuwait, November 2013 – October 2017</li> <li>Project Manager, Schlumberger Business Consulting Company (Abu Dhabi, Kuwait, Saudi Arabia, Sudan, Pakistan) September 2009 – November 2013</li> <li>Field Manager and Field Service Manager, Schlumberger Drilling &amp; Measurement Company (Venezuela, Libya, USA, Saudi Arabia, Kuwait) December 2002 – August 2009</li> </ul>	Appointment of a representative of the coalition on 09 March 2022



## Corporate Governance Report 2023

- **Brief on the Company's Board of Directors' meetings, through the following statement:**

Brief on the Company's Board of Directors' Meetings during the fiscal year ended 31 December 2023, IPG Board of Directors has held six (6) meetings, as below indicated:

### Board Meetings Held During the Year 2023

Member Name	Meet. No. (246)	Meet. No. (247)	Meet. No. (248)	Meet. No. (249)	Meet. No. (250)	Meet. No. (251)	No. Of Meetings
	Held on 11.1.23	Held on 12.4.23	Held on 12.4.23	Held on 11.7.23	Held on 12.10.23	Held on 12.10.23	
<b>Ali M. Al-Radwan</b> Chairman	✓	✓	✓	✓	✓	✓	6
<b>Ghazi F. AlNafisi</b> Vice Chairman	✓	✓	✓	X	X	X	3
<b>Waleed J. Hadeed</b> Board Member & CEO	✓	✓	✓	✓	✓	✓	6
<b>Samir S. Shammas</b> Board Member & Deputy CEO	✓	✓	✓	✓	✓	✓	6
<b>Abdullah A. Zaman</b> Board Member	✓	✓	✓	X	✓	✓	5
<b>Abdullah E. Al-Kandari</b> Board Member & Managing Director (Finance)	✓	✓	✓	✓	✓	✓	6
<b>Mohammad A. Qasim</b> Board Member & Managing Director (Marketing)	✓	✓	✓	✓	✓	✓	6
<b>Abdulaziz S. AlEssa</b> Board Member -Independent	✓	✓	✓	✓	✓	✓	6
<b>Ibrahim Y. Alghanim</b> Board Member - Independent	✓	X	X	X	✓	✓	3
<b>Hamad S. Al-Dalali</b> Board Member	✓	✓	✓	✓	✓	✓	6

### **A summary of how to apply the requirements for registration & coordination & keeping the minutes of the meetings of the IPG Board of Directors:**

The Secretary of the Board assists the Chairman and Members of the Board of Directors in all matters related to the Board of Directors including:

- Recording and keeping all minutes of the Board meetings, its records, books and reports submitted to and from the Board, provided that the minutes of the meetings shall be signed by the Secretary and all attending members.
- Ensuring that all Board members adhere to the procedures established by the Board and that they are being notified of the Board meetings three working days before the dates assigned thereto, taking into account emergency meetings.
- Ensuring that Board members have full and quick access to all Board meetings' minutes, information, documents, and records related to IPG.
- Ensuring proper communication and distribution of information and coordination among the members of the Board and other IPG stakeholders, including shareholders, the various IPG departments and employees, under the supervision of the Chairman.
- **Attached hereto is a copy of the declaration of the two independent members, both of whom fulfill the controls related to independence.**

## Corporate Governance Report 2023

### Rule II

#### Establish Appropriate Roles and Responsibilities

- **Brief on how the company defines the policy of the tasks, responsibilities, and duties of each of the Members of the Board of Directors and executive management members, as well as the powers and authorities delegated to the executive management:**

In accordance with the Memorandum of Association and the Articles of Association, IPG's Board of Directors exercises its functions and duties, devotes sufficient time to its responsibilities and tasks and works to serve the interests of the Group and its shareholders. Additionally, the Board of Directors performs a major role in maintaining a constructive relationship between the Board and the Executive Management and ensures the maintenance of trust among members, as well as the exchange of views within the Board to ensure that decisions are taken based on sound foundations and information. The tasks and duties of the Board members and the Executive Management are determined through a set of regulations established by the Board and the Board committees, as well as the Executive Management's approved table of delegation of authorities. Furthermore, IPG has developed specific job descriptions for each Board and Executive Management member, which clearly specifies the tasks and responsibilities of each Board member and each member of the Executive Management.

- **Board of Directors Responsibilities and Tasks:**

- Approving IPG's main objectives, strategies, plans and policies.
- Approving the annual budgets and interim and annual financial statements.
- Overseeing IPG's main capital expenditure and the ownership and disposal of assets and inventory.
- Ensuring IPG's observance of the policies and procedures.
- Ensuring the accuracy and validity of any data and information to be disclosed.
- Establishing effective communication channels to enable shareholders to access periodic and continuous information about IPG's activities and any other major developments related thereto.
- Establishing and overall overseeing and following up the Corporate Governance System.
- Monitoring the performance of each member of the Board of Directors and the Executive Management, using Key Performance Indicators (KPIs).
- Preparing the Annual Report to be presented to the General Assembly and forming specialized committees in accordance with the requirements of the regulatory authorities, defining their responsibilities, rights and obligations.
- Determining the powers and authorities delegated to the Executive Management, the procedures for making decisions and delegation terms.
- Following up on the performance of the Executive Management members and ensuring completion of all the tasks assigned thereto.
- Substitution plans approval.
- Determining the policy of regulating the relationship with stakeholders, with a view to protecting their rights.
- Preparing a mechanism to regulate dealings with all related parties to avoid conflict of interest.
- Adoption of the key risk indicators, their measurements, and the willingness to take risks at IPG to deal with these risks.
- Ensuring that IPG's approved policies and regulations are transparent and clear, allowing decision-making process, investigation, and separation of powers and interests between the Board of Directors and the Executive Management.
- Determining remunerations/bonus segments granted to the employees.
- Ensuring the integrity of the financial and accounting systems, including those related to the preparation of financial reports.
- Ensuring the effectiveness of the internal control systems as applied in IPG.



**Corporate Governance Report 2023**

• **Achievements of the Board of Directors during the year 2023:**

- The Board has reviewed and approved the various regulations pursuant to the requirements of the Capital Markets Authority.
- The Board has regularly monitored the progress of the Executive Management’s work in implementing the various policies and procedures.
- Monitoring the activities of the Board of Directors’ committees and evaluating their performance.
- The Board has regularly reviewed the progress of work in the various approved projects.
- The Board has reviewed the strategy implementation progress through approved key performance indicators.
- Applying the principles of transparency in the presentation of financial information related to IPG’s operational performance and its reflection in the consolidated financial statements for the fiscal year ending 31 December 2023.
- Expanding IPG’s relations with many banks and investors to achieve its strategic goals.
- Supporting the Executive Management with qualified national individuals capable of achieving the desired results and to maximizing the added value to IPG’s shareholders.

• **Executive Management’s Tasks and Duties:**

The Executive Management is responsible for implementing the Strategic Plan and Annual Plan, as determined and approved by the Board, as well as all related internal policies and regulations, ensuring their efficiency and effectiveness. It consists of individuals appointed by the Board of Directors to oversee IPG’s operations and prepare periodic (financial and non-financial) reports. The Executive Management is a major contributor to the implementation of governance in the Group through the implementation of best practices, e.g., personal behavior and internal control over all IPG’s operations. It acts in accordance with the directions issued by the Board, as indicated in developing integrated accounting systems for keeping books, records and accounts, setting up operative systems for internal control and business risk management in the Group, in a manner consistent with the policies established by the Board of Directors. Executive Management is made up of the group of officials entrusted with performing the functions of managing IPG’s daily operations and participating in building and developing ethical values and works in the light of the powers granted thereto by the Board of Directors.

• **Brief about the application of the formation requirements of independent specialized committees by the Board of Directors:**

The Board of Directors has formed specialized independent committees, namely, the Audit and Risk Management Committee and Nomination and Remuneration Committee. The following is a detailed statement concerning each committee:

Committee’s Name	Audit and Risk Management Committee
<b>Committee’s Tasks &amp; Achievements during the year ended 31 December 2023</b>	<p><b>The Committee is responsible for providing a culture of compliance within IPG by ensuring the validity and integrity of the financial reports of the group, ensuring the adequacy and effectiveness of the internal control systems being applied. The Committee reports directly to the Board of Directors and is responsible for risk management, preparing the policies and procedures related to the risk management function subject to IPG’s risk appetite.</b></p> <ul style="list-style-type: none"> <li>• Submitting recommendations to the Board of Directors regarding the appointment and reappointment of external auditors, changing them, determining their fees and reviewing their letters of appointment.</li> <li>• Studying the applicable accounting policies and principles and their amendments, enabling them to express their opinions and present their recommendations to the Board of Directors in this regard.</li> <li>• Reviewing the level of compliance with the relevant legal requirements related thereto, such as the regulations of the Capital Markets Authority, the Commercial Companies Law and other applicable laws.</li> </ul>

## Corporate Governance Report 2023

Committee Name	Audit and Risk Management Committee
	<ul style="list-style-type: none"> <li>• Reviewing the internal audit regulations on an annual basis, ensuring the existence of open channels of communication with the Executive Management and other auditors.</li> <li>• Reviewing and approving the audit plans proposed by the internal auditor, providing observations thereon.</li> <li>• Recommending the appointment of the internal audit office and evaluating its performance.</li> <li>• Reviewing the results of the internal audit reports.</li> <li>• Ensuring IPG's compliance with relevant laws, policies, regulations and instructions.</li> <li>• Verifying the independence of the external auditor, reviewing the scope and methodology of the proposed work plan and following up on the performance of the external auditor.</li> <li>• Evaluating the adequacy of the internal control systems applied in IPG.</li> <li>• Preparing and reviewing risk management strategies and policies and ensure readiness to take risks.</li> <li>• Evaluate the systems and machines used for risks identification, measurement, and control.</li> <li>• Assisting the Board in identifying and assessing acceptable risk levels.</li> <li>• Reviewing the organizational structure of the Risk Management Unit and submitting recommendations in that concern.</li> <li>• Reviewing the proposed deals and transactions with related parties (if any).</li> <li>• Reviewing risk management-related data and reports, as published in IPG's Annual Report.</li> <li>• Reviewing and examining the periodic financial statements before submitting them to the Board.</li> <li>• Reviewing and studying risk appetite and levels of risk exposure in the countries in which IPG operates.</li> </ul>
<p><b>Commission's Formation Date and Term</b></p>	<p>Audit and Risk Management Committee was formed on 11/07/2016 upon the approval of the Capital Markets Authority to merge the Audit Committee and the Risk Management Committee, according to the Authority's letter, dated 27/07/2016, for a term of three years.</p>
<p><b>Members and Chairman of the Committee</b></p>	<p><b>Ghazi F. AlNafisi:</b> Chairman of the Committee / Non-Executive  <b>Abdullah A. Zaman:</b> Committee Member / Non-Executive  <b>Abdulaziz S. AlEssa:</b> Committee Member / Independent  <b>Ibrahim Y. Alghanim:</b> Committee Member / Independent</p>
<p><b>Number of Meetings Held by the Committee During the Year 2023</b></p>	<p>The Committee meets on a regular basis, at least four times during the year and on a quarterly basis, or whenever required, as well as upon the request of the Committee Chairman or two of its members.</p> <p><b>Dates of Meetings:</b></p> <ul style="list-style-type: none"> <li>• 11/01/2023</li> <li>• 12/04/2023</li> <li>• 12/10/2023</li> <li>• 12/10/2023</li> </ul>



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Committee's Name	Nomination and Remuneration Committee
<p><b>Committee's Tasks &amp; Achievements during the year ended 31 December 2023</b></p>	<p><b>The Committee develops policies and submits recommendations to the Board regarding the nominations, appointments and reappointments of the members of Board of Directors and the Executive Management. The Committee oversees the implementation of remuneration policies set for the members of the Board and the Executive Management. The Committee is also responsible for examining all selection and appointment practices in the Group.</b></p> <ul style="list-style-type: none"> <li>• Recommending the acceptance of the nomination and re-nomination of the members of the Board of Directors and the Executive Management.</li> <li>• Preparing a clear policy for the remuneration of the Board of Directors and the Executive Management.</li> <li>• Presenting the nomination and re-nomination of the members of the Board of Directors to the General Assembly.</li> <li>• Determining the mechanisms for evaluating the performance of the Board of Directors as a whole, as well as the performance of each of the Board and Executive Management members.</li> <li>• Continuously encouraging and developing the Board members' skills.</li> <li>• Supervising the procedures for Board of Directors' memberships nominations during the meetings of the General Assembly.</li> <li>• Preparing job descriptions for executive, non-executive and independent Board members.</li> <li>• Ensuring that the attributes of independence are enjoyed by the independent members of the Board of Directors.</li> <li>• Reviewing and studying the remuneration policy approved by the Board of Directors.</li> </ul>
<p><b>Commission's Formation Date and Term</b></p>	<p>The Nomination and Remuneration Committee was formed on 11/07/2016 for a term of three years.</p>
<p><b>Members and Chairman of the Committee</b></p>	<p><b>Ali M. Al-Radwan:</b> Chairman of the Committee / Non-Executive  <b>Waleed J. Hadeed:</b> Committee Member / Executive  <b>Ibrahim Y. Alghanim:</b> Committee Member / Independent</p>
<p><b>No. of Meetings Held by the Committee During the Year</b></p>	<p>The Committee meets periodically, at least once annually. The Secretary prepares the minutes of these meetings.                      The eighth meeting of the Committee was held on 14.01.2024.</p>

• **A summary of how to apply the requirements that allow the Members of the Board of Directors to obtain accurate and timely information and data:**

The Board of Directors has direct access to IPG management and receives all periodic reports as well as any information requested by the Board. Under the supervision of the Chairman, the Secretary of the Board periodically and regularly communicates with all Board members and meets their requests in coordination with the Executive Management and all concerned parties. Board members receive agendas for Board meetings, accompanied by all the necessary documents and information, at least three working days before the date of the meeting, so that the members would have sufficient time to examine the issues to be deliberated and take appropriate decisions.

## Corporate Governance Report 2023

### Rule III

#### Recruiting Highly Qualified Candidates for the Membership of a Board of Directors and the Executive Management

- **A Brief about the application of the formation requirements of the Nominations and Remunerations Committee:**

The requirements of the Capital Markets Authority in terms of forming the Nominations and Remunerations Committee were achieved by assigning three Board members to form that Committee, in addition to an independent member. The Committee is chaired by a non-executive Board member.

- **Report on the remunerations to the Members of Board of Directors, the Executive Management and the managers, provided that it shall include the following information for the year 2023:**

1. **Summary of IPG's Policy of compensation and Incentives, specifically that related to Members of a Board of Directors, the Executive Management and the managers:**

IPG adopts a policy approved by the Board of Directors regarding the remuneration of members of the Board of Directors, the Executive Management members, managers and all employees of the Company. The remuneration of the members of the Board of Directors is based on the performance of IPG and in accordance with the provisions of the Companies Law. Remunerations for executive management members, managers and all other employees of the Group, are calculated according to the Group's performance during the year and in accordance with its internal policy as approved by the Board of Directors, by allocating 10% of the annual net profit.

2. **Two detailed statements of all remunerations and benefits for the members of the Board of Directors, the Executive Management members and managers:**

Remunerations and Benefits of Members of Board of Directors							
Total Number of Members	Remuneration and Benefits through the parent company			Remuneration and Benefits through the Subsidiaries			
	Fixed Remuneration and Benefits (KD)	Variable Remuneration and Benefits (KD)		Fixed Remuneration and Benefits (KD)		Variable Remuneration and Benefits (KD)	
	Health Insurance	Annual Remuneration	Committees' Remuneration	Health Insurance	Monthly Salaries (Total of the year)	Annual Remuneration	Committees' Remuneration
10	-	100,000	-	-	-	-	-

Total remuneration and benefits granted to five senior executives who have received the highest remuneration. This is in addition to the Chief Executive Officer and the financial manager or their deputy, if not included																
Total Executives Positions	Remunerations and Benefits by the parent company							Remunerations and Benefits through the subsidiaries								
	Fixed remuneration and Benefits (KD)							Variable Remuneration and Benefits (KD)	Fixed Remuneration and Benefits (KD)							Variable Remuneration and Benefits (KD)
	Monthly Salaries (Total of the year)	Health Insurance	Annual Tickets	Housing Allowance	Transportation Allowance	Children's Education Allowance	Annual Remuneration	Monthly Salaries (Total of the year)	Health Insurance	Annual Tickets	Housing Allowance	Transportations Allowance	Children's Education allowance	Annual Remuneration		
7	918,588	8,330	12,979	-	-	-	229,976	-	-	-	-	-	-	-		

3. **Any substantial deviations from the remuneration policy approved by Board of Directors:**

There are no deviations from the approved Remuneration Policy.





## Corporate Governance Report 2023

### Rule IV

#### Safeguarding the integrity of Financial Reporting

- **The Board of Directors and the Executive Management's Written Declarations of the Soundness and Integrity of the Financial Reports**

The IPG Board Chairman and members declare and undertake the accuracy and integrity of the financial statements provided to the external audit and that the financial reports of the Group have been properly and fairly presented, in accordance with the international accounting standards applied in the State of Kuwait and approved by the Authority, ensuring that they reflect the financial position of the Group as of 31 December 2023.

The Executive Management submitted to the IPG's Board of Directors a written undertaking on 14 January 2024 (the date of the meeting of the Board of Directors) that the financial reports of IPG provide a proper and fair presentation of all the financial aspects of the company and that these were prepared according to the applicable international accounting standards.

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

- **A Brief on the rules governing the formation of the Audit and Risk Management Committee:**

The Audit and Risk Management Committee has been formed to consist of four Board members, including two independent Board members. The Committee enjoys independence in its work, as its membership does not include the Chairman of the Board of Directors or any of the Board's executive members.

The Audit and Risk Management Committee aims to assist the Board of Directors in carrying out its responsibilities related to ensuring soundness and integrity of financial reports, as well as verifying the adequacy and effectiveness of the internal control systems applied in IPG. This is in addition to working on managing the risks the Group may be exposed to and setting the necessary controls to reduce them and identify IPG's appetite to risk and the acceptable ratios thereof in light of the expected benefits, submitting relevant recommendations to the Board of Directors.

- **In case of any conflicts between the recommendations of the Audit and Risk Management Committee and the resolutions of the Board of Directors:**

No conflicts have occurred during the year between the Audit Committee and the resolutions of the Board.

- **Emphasizing the independence and impartiality of the external auditor:**

The Audit and Risk Management Committee recommends the appointment, reappointment and replacement of the external auditor, whose remuneration is determined by the Board of Directors, after assessing his independence and impartiality. The external auditor's appointment takes place in the annual general assembly meeting, based on a recommendation by the Board of Directors.

IPG gives high priority to the auditor's integrity and independence, attained by appointing a global company known for its sound professional practices and ethics. Hence, the Audit and Risk Management Committee recommended to the Board of Directors to reappoint the Group's external auditor, RSM Albazie & Co., for the year 2023, to present it to the annual general assembly meeting. The said external auditor was approved by the ordinary general assembly meeting held on 06 February 2023, in line with the requirements of the Capital Markets Authority.

The Committee also verifies the independence of the external auditor and that they have not provided any services to IPG other than those services required by the audit profession.

## Corporate Governance Report 2023

### Rule V

#### Apply Sound Systems of Risk Management and Internal Audit

- **Brief statement on the application of formation requirements for the Risk Management Department/ Office/ Independent Unit:**

IPG has a separate Risk Management Department, directly reporting to the Audit and Risk Management Committee. Its objectives are to identify, measure and control risks associated with IPG's activities. Risk management officers in-charge have significant independence and enjoy professional competencies as well as technical capabilities that enable them to perform their tasks efficiently and effectively.

The risk management function includes all methods and processes adopted to manage risks and seize opportunities related to achieving its objectives. It provides a framework for risk management, which usually includes identifying specific events or conditions relevant to the Group's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy and monitoring the progress achieved by identifying and proactively addressing risks and opportunities that protect the Group and create value for stakeholders, including owners, employees, customers, regulators and society at large.

The Group has identified financial and operational risks as a significant risk that requires continuous monitoring and review.

- **Brief Description of the Internal Control and Monitoring Systems:**

IPG is keen on adopting internal control and monitoring systems comprehensively covering all activities of IPG, in order to maintain the financial integrity of the Group and the accuracy of its data. In this regard, IPG has properly identified the powers and responsibilities adopted by its Board of Directors and Executive Management as designed to provide reasonable assurance regarding achieving the following purposes:

- Operational effectiveness and efficiency.
- Maintaining the safety of assets.
- Reliability of financial reports.
- Compliance with applicable laws and regulations.
- Timely detection and prevention of errors and violations.
- **IPG has appointed Ali Al-Hamad & Partners, an independent member of Baker Tilly International, to conduct a review and evaluation of the internal control systems for the year ended 31 December 2023. The Capital Markets Authority will be provided with the final report before 31 March 2024.**

- **Brief statement on the application of the requirements for the formation of an independent unit for Internal Audit Department/ Office/ Unit:**

IPG has appointed an external audit office to perform the internal audit function. Internal auditors enjoy independence through their direct reporting to the Audit and Risk Management Committee. They also have technical expertise that enables them to perform their tasks. The objective of the Internal Audit Department is to guarantee the operational effectiveness of the internal controls systems in addition to implementing IPG's policies and procedures, through periodic reporting of various findings. The internal audit function reports to the Audit and Risk Management Committee directly.

During the year, internal audit covered various departments of IPG, pursuant to the Internal Audit Plan approved by the Audit and Risk Management Committee. Regular internal audit reports are presented and submitted to the Audit and Risk Management Committee.



## Corporate Governance Report 2023

### Rule VI

#### Promote Code of Conduct and Ethical Standards

- **Brief on business charter, including standards and determinants of code of conduct and ethical values:**

IPG's Board of Directors has adopted the professional, ethical and behavioral standards required to be adhered to by all Board members and employees in their fields of work, regardless of the workplace and conditions. The Group is committed to the highest levels of ethical standards that represent the basic values of Code of Conduct and ethics that have been prepared for IPG to embrace the following values:

- Respect.
- Financial integrity and faithfulness.
- Diversity and equal opportunities.
- Health and safety.

- **Brief on the policies and mechanisms on reducing conflicts of interest:**

IPG exerts due diligence in implementing its policies in order to avoid conflict of interests, as the Group has adopted an approved policy to minimize such cases. This policy provides for reviewing all transactions with related parties, in accordance with the instructions of the Capital Markets Authority to ensure that any conflict-of-interest situation is properly addressed, in a timely manner.

### Rule VII

#### Ensure Timely and High-Quality Disclosure and Transparency

- **Brief on the application of the mechanisms set for presentation as well as accurate and transparent disclosures that define the aspects, areas and characteristics of disclosure:**

- IPG is committed to provide accurate and clear disclosures of all substantial information of the Group and its subsidiaries, adopting a Disclosure and Transparency Policy approved by the Board of Directors, with a view to ensure that shareholders can access timely, up-to-date and consistent information.
- IPG undertakes to disseminate full and accurate information, so that stakeholders and investors can take decisions, as it is IPG's policy to provide real information about its business and strategic objectives on a regular basis.
- All reports, financial statements, auditors' reports, Board members holding IPG shares and any material information that allows shareholders to exercise their rights to the fullest and helps stakeholders to be fully aware of IPG's status.

- **Brief on the application of the Board of Directors, Executive Management disclosures and Directors' disclosure requirements:**

- IPG maintains a special record of the disclosures of the members of the Board of Directors, the Executive Management, and the managers in the Group, which includes all data and information required to be disclosed in accordance with the laws, instructions and policies adopted by IPG in this regard, where stakeholders are entitled to access that record during working hours.
- IPG's official website includes a record of all its disclosures for the previous five years.

- **Brief statement on the application of formation requirements for the Investors Affairs Unit:**

- IPG has established an Investor Affairs Unit with a view to providing an effective communication mechanism between it and all current shareholders, enabling them to obtain the Group's basic data

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and activities in a timely manner. All shareholders and investor inquiries are received through the email designated for the Unit.

- The Board of Directors has adopted a policy to regulate dealing and communication with shareholders and investors to ensure compliance with all legal and regulatory requirements. The most important principles of that policy deal with the protection of shareholders' rights, communication with and disclosures issued to them.
- The Investors Affairs Unit makes all key information available to shareholders through appropriate means of disclosure, e.g., financial reports, annual report, etc., as well as through IPG's website at [www.ipg.com.kw](http://www.ipg.com.kw)
- **Brief on how to develop information technology infrastructure to be relied on heavily in disclosure processes:**
  - A dedicated section has been created on IPG's website ([www.ipg.com.kw](http://www.ipg.com.kw)) on corporate governance, which includes information, data and news, updated on a regular basis, that help current shareholders to view and update any information related to the Group.
  - IPG's website includes all its disclosures to the market, in addition to key information about results, periodic and annual financial reports, information about the Board of Directors and Executive Management, and an overview of the Group.
  - IPG is keen to follow the automated disclosure system through Bursa Kuwait website, through updating its news and announcements.

### Rule VIII

#### Respect the Rights of Shareholders

- **Brief on the application of the requirements set for the identification and protection of shareholders' general rights, in order to ensure fairness and equality among all shareholders:**

IPG is committed to ensuring that all shareholders exercise their rights fairly, pursuant to the Group's Memorandum of Association and Articles of Association, as well as the Companies Law and the resolutions of the Capital Markets Authority. These rights include:

  - \* **Shareholders' rights related to IPG's general assembly:** Sending invitations to attend assembly meetings to all shareholders, informing them of all relevant issues.
  - \* **Shareholders' voting rights:** Ensuring that all shareholders can exercise their voting rights in person or by proxy without any hindrance.
  - \* **Shareholders' rights in share ownership and profits attained by the Group:** Providing shareholders with the right to dispose of shares, i.e., registration or transfer of shares ownership. IPG records shareholders' equities in its registers and accounting books.
- **Brief on creating special record at the Clearing Agency, as part of the requirements for on-going monitoring of shareholders' data:**

IPG maintains accurate and constantly updated records of all its shareholders at Kuwait Clearing Company, where the Shareholder Register features data that includes their names, number of shares owned by each, percentage of shareholding, etc.
- **Brief on how to encourage shareholders to participate and vote at IPG's general assembly meetings:**

IPG seeks to maintain a solid relationship with its shareholders and encourages them to attend and constructively participate in all discussions and deliberations at the shareholders' meeting. Ordinary



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and extraordinary general assemblies are called upon at the request of the Board of Directors pursuant to relevant laws. The Group sends invitations to the shareholders to attend the meeting, enclosing the agenda, time and venue of the meeting, financial data and other attachments, in addition to publishing the invitation on IPG's website and the Kuwait Stock Exchange website, as well as in local daily newspapers. IPG seeks to protect the rights of its shareholders, including:

- Ensuring the agreed-upon share of dividends.
- Providing a proper share in IPG's assets in case of liquidation.
- Providing regular shareholder-related data and information on IPG's activities, operations and investment strategies.
- Participating in shareholders' general assembly meetings and voting on the decisions suggested therein.
- Obtaining financial statements for the elapsed financial period, as well as the report of the Board of Directors and the auditor's report.
- Obtaining timely information about Board membership elections.
- Submitting a liability claim against members of the Board of Directors or the Executive Management in case they fail to perform the duties assigned thereto.
- Candidacy for membership of the Board of Directors.

### Rule IX

#### Recognizing the Roles of Stakeholders

- **Brief on the conditions and policies that ensure protection and recognition of stakeholders' rights:**

IPG is fully responsible for protecting stakeholders' rights and for creating a stable business environment by ensuring that the Group enjoys a sound financial position. As part of the corporate governance framework, IPG has developed a Stakeholder Protection Policy that has been approved by the Board of Directors, with the aim of ensuring respect and protection of stakeholders' rights in accordance with the laws and regulations of the relevant Kuwaiti regulatory authorities. The compliance officer undertakes monitoring the implementation of this policy, noting that IPG's policy on protecting stakeholders' rights acknowledges all parties as stakeholders, including shareholders, regulatory authorities, customers, employees, suppliers, etc.

- **The Board of Directors is responsible for the following key responsibilities to protect IPG's stakeholders' rights:**

- Appointing an efficient executive management.
- Supervising IPG's affairs effectively and efficiently.
- Adopting effective policies.
- Knowledge of IPG's conditions and performance.
- Maintaining sufficient IPG capital.
- Compliance with laws, regulations, and instructions.
- Treating all stakeholders fairly and equally.
- Undertaking independent review of the transactions carried out by IPG with related parties (if any), providing appropriate recommendations in this regard to the Board of Directors.
- Providing reliable and sufficient information to stakeholders on an ongoing basis.
- Providing periodic reports to the Board of Directors on grievances (if any).

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- **Brief on encouraging stakeholders to follow up on IPG's various activities:**
- With a view to encourage stakeholders to participate in following up on its various activities, IPG actively works toward ensuring that stakeholders obtain accurate, sufficient and timely information on the topics raised through the website, including the annual report, governance report, audit and risk management committee report and all IPG's disclosures, as well as other matters that contribute to respecting the rights of stakeholders stipulated by law.
- IPG is committed to the principle of full transparency and disclosure of material information, which is updated on both Kuwait Stock Exchange and IPG's websites.

### Rule X

#### Encourage and Enhance Performance

- **Brief on the application of the requirements set for developing mechanisms that allow Members of the Board of Directors and Executive Management to continuously attend training programs and courses:**

IPG strives to organize meetings with international banks and other key parties, and encourages participation in prominent seminars and conferences. The goal of these efforts is to ensure that directors and executive management are aware of the latest developments in a variety of aspects of the business and markets. Many periodic meetings were held with international banks and companies during the annual conferences held in London and Geneva. This contributes to staying in touch and constantly following the latest trends and opportunities in global markets.

- **Brief on the evaluation of Board's performance as a whole, as well as the performance of every Member of the Board of Directors and the Executive Management:**

- An annual performance evaluation of the Board of Directors, Board members and members of the Committees and Executive Management is carried out according to criteria approved by the Board of Directors.
- The Nomination and Remuneration Committee develops objective and quantitative performance criteria and indicators to evaluate the performance of the Executive Management, approved by the Board of Directors, where the latter evaluates the performance of the Executive Management on an annual basis.

- **Brief on the Board of Directors efforts to create corporate values among IPG employees, through achieving strategic goals and improving key performance indicators:**

- IPG is directly concerned with the creation of corporate values by preparing clear strategies and objectives that it seeks to achieve through working with world-class professionalism and providing required human and material resources to achieve such objectives and obtain proper performance rates in line with the Group's plans and the aspirations of its shareholders.
- IPG prepares consolidated reports that provide accurate information to the Board of Directors, helping to achieve the Group's objectives and improve its rates.

### Rule XI

#### Focusing on the Importance of Corporate Social Responsibility

- **Brief on the development of a policy that ensures a balance between IPG's and society's objectives:**

IPG is committed to achieve alignment with its work and strategy, on the one hand, with responsibility towards the environment, society and the main stakeholders, on the other. The objective of this policy is



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to give the Group, in the context of its management, social responsibility, including achieving sustainable development for society and manpower, by contributing to reducing the level of unemployment and achieving optimal use of available resources. IPG also seeks to enhance knowledge and awareness of the importance of social responsibility programs among its employees through various communication programs and means with employees.

- **Brief on the programs and mechanisms that help highlight IPG's efforts in the field of social work:**

Being fully aware of its corporate responsibility toward society and its own employees, IPG has adopted a policy that ensures the achievement of the objectives of raising the level of knowledge and awareness of the importance of social responsibility programs among its employees and ensuring that they have a thorough knowledge of the social responsibility goals that IPG actively and continuously seeks to achieve, thereby contributing to enhance the performance of the Group as a whole. To this end, IPG launches a wide variety of programs in the following areas:

- Appointment of national competencies in IPG and its subsidiaries.
- Responsibility towards society.
- Protection of the environment.
- Providing a healthy and efficient work environment for its employees at all levels.
- Focusing on the importance of social responsibility and the desire to support donations for real social security initiatives, charitable activities, education programs, etc.
- Working to improve the living conditions of all employees.

**Ali M. Al-Radwan**  
Chairman