Report of the Board of Directors for 2014

Message to the Shareholders

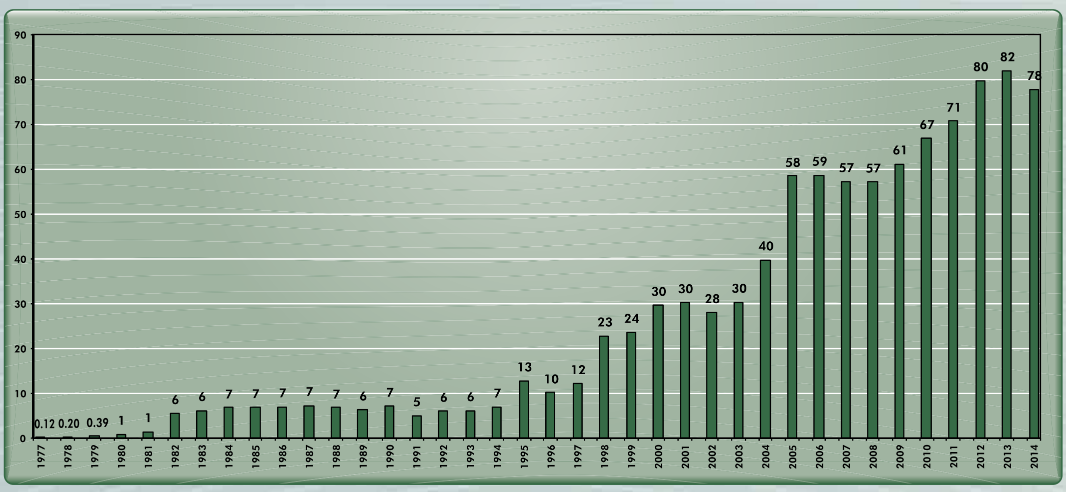
Dear Shareholders,

The Board of Directors is pleased to present to its shareholders the 38th Annual Report on the performance of the Independent Petroleum Group (IPG) for the year 2014.

The Global Oil Markets in 2014 witnessed sharp and unprecedented drop in the price of crude oil and petroleum products. Demand for crude oil and petroleum products declined in China and Europe as a result of their stagnant economies and higher oil prices. At the same time, World oil production, especially in the United States, increased due to development of shale oil production technology, thus leading to very sharp drop in the price of oil and petroleum products. The price of the WTI was US$ 95.44 per barrel at the beginning of 2014, and in June increased to US$ 107.78 and then suddenly dropped to US$ 53.27 at year end. This 50% decrease to the oil price during the six months period was unprecedented and completely unexpected. As to Brent, it was US$ 107.78 at the beginning of the year, then increased to reach US$ 115.06 in June and then dropped to US$ 57.33 at year end. As to petroleum products, the price of diesel oil in the Gulf was US$ 123.07 on 21/02/2014 and then sharply dropped to US$ 57.33 at the end of the year. This sudden decline in oil prices made it extremely difficult to hedge and completely cover the Company's losses pertaining to stored quantities. All that lead to a decline in the Company's profits to KD 3.702 Million i.e. 25.60 Fils/ Share.

Global Security Markets performances were relatively modest in 2014 compared to that of 2013, mainly due to uncertainties to the World economy.

IPG's Equity Movement (KD Million)



S&P 500 and Dow Jones Movement during 2014

Summary of the Company's Results for 2014

Marketing & Trading Activity

Despite the sharp fluctuation in oil prices and the intense competition amongst International Oil Companies, IPG managed to market 3.6 million tons of petroleum products to its customers in the Mediterranean, the Red Sea and East Africa.

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

IPG has successfully provided Ethiopian Oil Company with 1.4 Million Tons of diesel, kerosene and motor gasoline during the year 2014. IPG also provided Yemen with 260,000 tons of petroleum products and Djibouti with 240,000 tons. IPG has also provided various quantities of petroleum products to Saudi Arabia, Jordan, Bahrain and the United Arab Emirates.

Furthermore, IPG continued its cooperation with many National Oil Companies such as Aramco, Aden Refinery Company, Bahrain National Oil Company and Abu-Dhabi National Petroleum Company. IPG also cooperated with International Oil Companies such as Exxon-Mobil, SHELL, BP and Petrochina continued throughout the year, as well as with Independent International Oil Companies such as Glencore, Gunvor and Vitol.

(b) Trading Activity in East Africa

In 2014, IPG has successfully marketed some 280,000 tons of petroleum products to the East African countries, despite the intense competition from various International Independent Oil Companies. IPG is currently working on increasing its sales to this region such as Zimbabwe, Malawi, Botswana and the Congo markets, which IPG consider to be quite strategic.

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

Approximately one million tons of petroleum products were marketed to this region in 2014. Nearly 800,000 tons were marketed to Uniterminals, Lebanon (50% owned by IPG). Most of the products that marketed by IPG were purchased from companies in the Mediterranean and Black Sea such as Greece's Hellas Motor Oil, Russia's Litasco, and Glencore International of Switzerland.

IPG increased its international sales in Morocco through the use of HTTSA Storage Tanks, Tangiers (32.5% owned by IPG). IPG also managed to sell oil products to local Moroccan companies such as Atlas Sahara, Somap, Petrole Du Maghreb and the French based Total.

(d) Trading Activity in India and the Far East

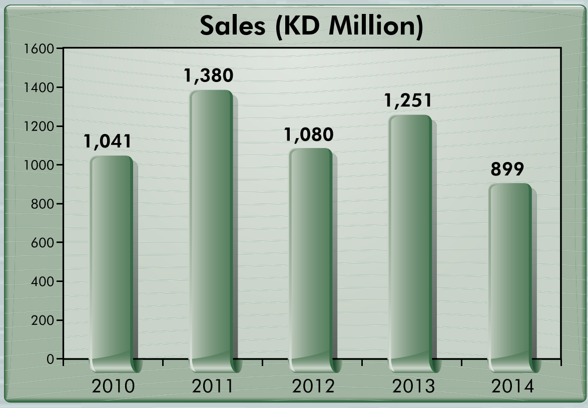
Market conditions in this region continued as they were in 2013. Therefore, only 100,000 tons of diesel and gasoline were purchased on spot basis as it was found economically unfeasible to do additional business in this area.

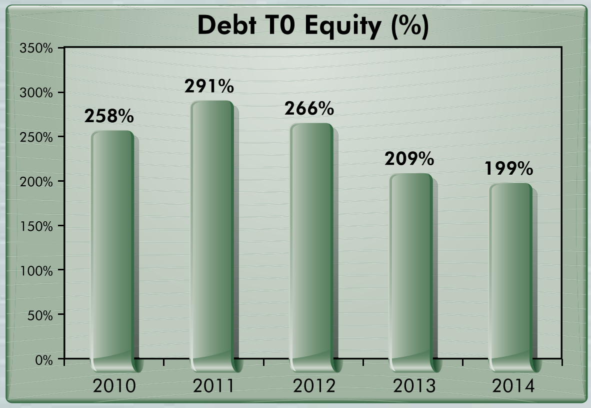
(e) Shipping

The Shipping Department carried out 151 operations during 2014. Mt. "D & K Yusuf I. Al-Ghanim" and the long term chartered ship Mt. "D & K 1" have executed 14 voyages. The Department also chartered 15 tankers from the market to supply IPG's customers with contracted products. It is to be noted that the total quantities shipped by IPG during 2014 were approximately 4.7 million tons.

During 2014 IPG also chartered its tankers, namely Mt. "D & K Yusuf I. Al-Ghanim" and Mt. "D & K I" to other companies. The total such voyages reached 26.

As part of implementing its Strategy, IPG ordered two new tankers with a capacity of 50,000 mt each, both of which will be delivered during 2015. With this two additions, the total tankers wholly-owned by IPG will reach four.





(f) Storage of Petroleum Products

During 2014, IPG stored about 523,000 tons of petroleum products in Strategic Storage Terminals where IPG has a stake in them, such as Inpetro Terminal in Beira, Mozambique, Horizon Tangiers Terminal Ltd (HTTSA) in Morocco, and Arabtank Terminals Ltd (ATTL) in Kingdom of Saudi Arabia. IPG also made short-term storage agreements with Djibouti (Horizon Djibouti Terminal Limited - HDTL) and with Beira, Mozambique (Petromoc), all totaling about 220,000 tons.

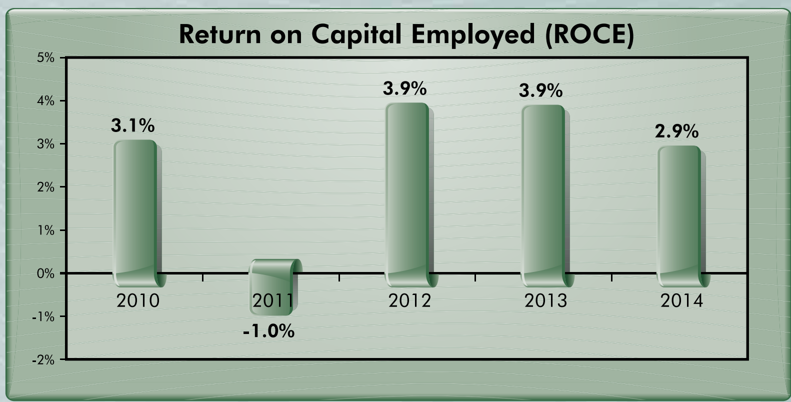
In Msasa, Zimbabwe, IPG has also leased about 70,000 cubic meters form Zimbabwe's National Oil Infrastructure Company (NOIC) to meet its marketing needs in that country.

Business & Projects Development

IPG continued to follow up its operating projects as well as developing new projects to support its marketing activities and, at the same time, achieve its income diversification strategy by way of investments in high-return projects. An agreement was concluded in 2014 with Petrogal, a Portuguese Company, to build two new storage terminals with a total storage capacity of approximately 115,000 cubic meters in both Beira and Matola Port in Mozambique. To go ahead with implementing these two projects, two new Companies were formed:

1. IPG-GALP Beira Terminal Limitada (IGBTL) to build a storage terminal of 65,000 cubic meters in Beira, Mozambique for the storage and shipping of Diesel and Gasoline.
2. GALP – IPG Matola Terminal Limitada (GIMTL) to build a storage terminal of 50,000 cubic meters in Matola, Mozambique for the storage and shipping of Diesel, Gasoline, Jet Fuel and Liquefied Gas (LPG).

Engineering documents were prepared and handed over to prequalified companies to construct the two terminals. The bids were received and Steval, a South African Company, was finally chosen to construct the project with a cost of US$ 40.25 mill for Beira and US$ 51.23mill for Matola project on the basis that both will be completed by June 2016.

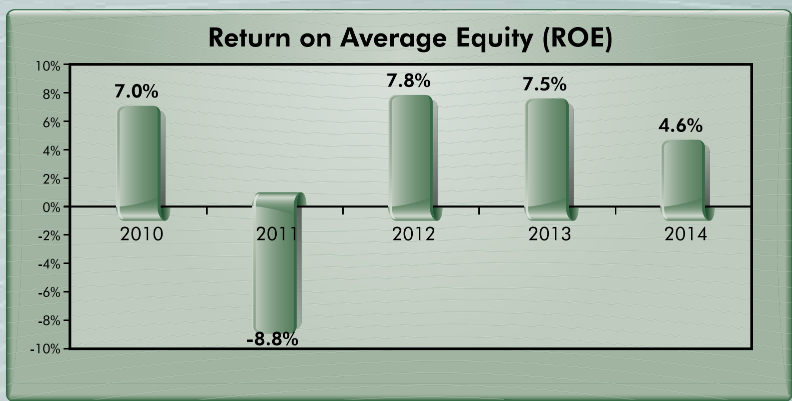


Finance & Treasury

Finance & Treasury Department continued to provide complete support to IPG's activities and operations with the required finance-cover and cash liquidity. This support was largely made possible owing to the excellent relations established with international and local banks which helped to conclude financing opportunities at most competitive rates for both trading and project finance.

Human Resources

Manpower remains the most valuable asset of the Group and its long term investment to tackle challenges in an ever–changing international commercial environment. IPG will always maintain to keep fundamental principles pertaining to employment and career satisfaction by offering competitive pay and benefits as well as commitment to provide all facilities that enhance its employees' skills to reach their full potential goals.
It's worth mentioning that during 2014, (7) new employees were recruited increasing the total staff to 117 employees. In 2015 new appointments are expected to fulfil the Executive Management`s team requirements, which will further strengthen our strategic and operational capabilities.



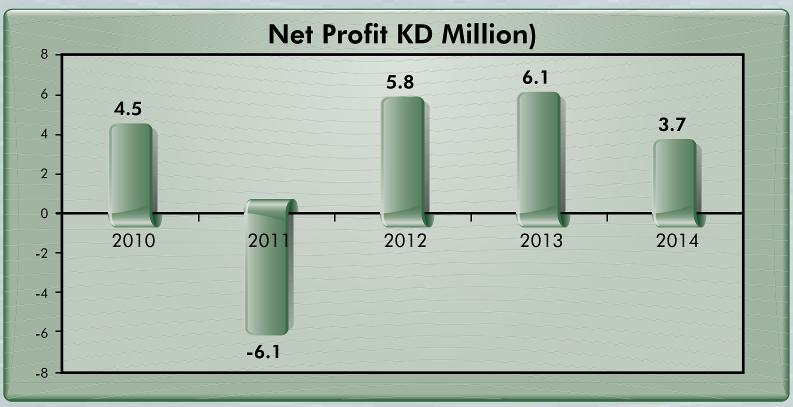
Information Technology

Following the budgetary norms and in accordance with the plan, the IT Department has successfully achieved the goal of implementing a full fledge Disaster Recovery infrastructure that is currently maintained within IPG's premises on a test basis. This will be shifted later off-site to one of the fully secured Hi-Tech Data Centers operated by major Internet Service providers in Kuwait.

Putting in mind the complexity of the oil trading business from an IT perspective and the high cost of obtaining new ready-made software that will be hard to customize as per the requirements, the Department started, assisted by the economics team in the marketing department, the internal development process few years back and was able to develop and implement in fully operational mode the following main systems:

1. Marketing Profit and Loss
2. Voyage Management System>
3. Open Paper Position, trade recap, trade database with FIFO pricing. Doing so helped eliminating errors caused due to human intervention, increasing efficiency and reducing considerably the required time for the same process.

Yet the biggest advantage can be seen as having a modular, structured, all-in-one user independent MIS system for the whole company.



Legal Department

Despite a difficult year in the oil market, the Legal Department assisted IPG on daily basis in overcoming several legal hurdles that affected worldwide trading in 2014. The Department fulfilled perfectly its duties as the legal arm that provides legal advice, opinion and consultation to the various departments of IPG head office in general, and the overseas branches in particular.

The Department worked in many areas and offered various consulting and advisory services such as preparing and formulating contracts' drafts relating to commercial dealings and joint ventures in addition to rendering opinions on several facilities granted to IPG by International Banks. The Department also cooperated with International Law firms in legalizing IPG's integration and presence into several new countries where profitable deals were targeted by its senior management.

This was adopted based on the foregoing, and the Board of Directors has approved the financial statements for the financial year ended 31.12.2014 and decided to recommend a cash dividend of 25% of the nominal value per share (i.e. twenty-five fils per share) deducting the treasury shares. As such it has been recommended to reward the Board Members an amount of KD 80,000 (eighty thousand dinars only) which is subject to approval by the General Assembly.

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

The Board of Directors

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

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

D&K Holdings LLC is the shipping arm of IPG. The Company owns and operates 2 petroleum product vessels which are fully utilized by IPG. One vessel was scrapped last year due to its unsuitability for work. In view of necessity of availing reliable vessels for business requirements, a contract has been concluded to buy two petroleum products vessels with a cost of US$ 70 m with expected delivery date during August and October 2015. The D&KH fleet will provide IPG with the required strategic controlled tonnage coverage.

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

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

Other Shareholder is:

- Unihold SAL – Lebanon

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

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

Other Shareholders are:

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

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

ATT owns and operates a storage facility of 287,700 cubic meters of which 268,500 cubic meters for petroleum products and 19,200 cubic meters for chemical products with a total capital cost of US$ 79 Million. Construction of three (3) 16" pipelines to transfer products from the Samref refinery, adjacent to ATTL, has been completed. ATTL made a plan to improve the operational efficiency and flexibility of the terminal to receive and export products from/to large vessels through the new Jetty 20 in addition to the current Jetty 21. In this respect, ATTL prepared the required engineering documents for bidding. The documents were handed to 5 prequalified contractors for bidding. 3 out of the 5 declined and 2 bids received reflecting costs of US$ 17.7 m and 15.99 m. Each of the figures exceeds the total estimated cost of US$ 9m. The bids are currently under study & scrutiny.

Other Shareholders are:

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

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

Construction of HTTSA Terminal for storage of petroleum products and black oil for bunkering was completed and the Terminal was commissioned in Feb. 2012. The total capacity of the facility is 533,000 cubic meters, constructed at a capital cost of 140.5 million Euros. Since the Terminal has only one Jetty, which is not sufficient to receive all clients' vessels, the company is financing construction a new Jetty No. 2 to receive small and medium range vessels with a cost of Euro 12m and it is expected to be completed by third quarter 2015.

Other Shareholders are:

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

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

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

Other Shareholders are:

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

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

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

Other Shareholders are:

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

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

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

Other Shareholders are:

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

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

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

The Company is currently constructing new crude oil tanks with a total capacity of 478,000 cbm at a cost of US$ 85.8 and it is expected to be completed by third quarter of 2016.

Other Shareholders are:

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