The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Financial Statements and
Independent Auditor's Report for the year ended
31 December 2017

Contents

	Page
Independent auditor's report	1 – 3
Statement of financial position	4
Statement of profit and loss and other comprehensive income	5
Statement of changes in shareholders' equity	6
Statement of cash flows	7
Notes to financial statements	8 - 28

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Independent auditor's report

The Shareholders
The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Opinion

We have audited the financial statements of The Kuwait Olefins Company K.S.C.C. ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Board of Directors report included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

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

KPMG Safi Al-Mutawa & Partners, a Kuwaiti Public Accountant and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 obtained prior to the date of this auditor's 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law No. 1 of 2016, as amended and its Executive Regulations and the Company's Memorandum and Articles of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, or of the Company's Memorandum and Articles of Association during the year ended 31 December 2017 that might have had a material effect on the business of the Company or on its financial position.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

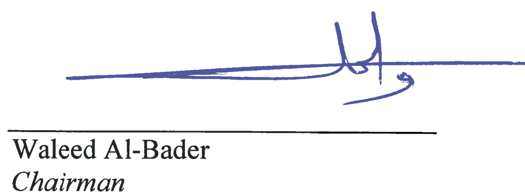
Kuwait: 20 February 2018

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

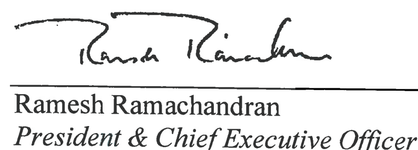
Statement of Financial Position
as at 31 December 2017

	Note	US$ '000 2017	US$ '000 2016
ASSETS			
Property, plant and equipment	4	712,516	689,872
Intangible assets	5	237,037	258,687
Non-current assets		949,553	948,559
Inventories	6	29,022	8,166
Due from related parties	14	95,101	166,898
Trade receivables		159	458
Prepayments and other receivables		2,080	21,986
Cash and bank balances	7	332,978	265,588
Current assets		459,340	463,096
Total assets		1,408,893	1,411,655
Equity			
Share capital	8	380,417	380,417
Statutory reserve	8	190,208	190,208
Retained earnings		359,519	264,425
Total equity		930,144	835,050
Loans and borrowings	14	234,101	380,129
Non-current liabilities		234,101	380,129
Loans and borrowings	14	147,294	139,527
Accruals and other liabilities		9,196	25,321
Due to related parties	14	87,728	29,987
Trade payables		430	1,641
Current liabilities		244,648	196,476
Total liabilities		478,749	576,605
Total equity and liabilities		1,408,893	1,411,655

The attached notes on pages 8 to 28 form an integral part of these financial statements.



Waleed Al-Bader
Chairman



Ramesh Ramachandran
President & Chief Executive Officer

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	Note	US$' 000 2017	US$' 000 2016
Sales		747,205	584,594
Cost of sales	9	(371,801)	(306,433)
Gross profit		375,404	278,161
General, administrative and selling expenses	10	(4,948)	(5,487)
Loss on sale of property, plant and equipment		(170)	-
Foreign exchange gain / (loss)		1,421	(251)
Profit from operation		371,707	272,423
Finance costs	11	(10,474)	(9,000)
Finance income		4,123	5,363
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat and Board of Directors' remuneration		365,356	268,786
Contribution to KFAS	12	(3,656)	(2,720)
Contribution to Zakat	13	(2,102)	(1,564)
Board of Directors' remuneration		(79)	(79)
Net Profit for the year		359,519	264,423
Other comprehensive income		-	-
Total profit and other comprehensive income for the year		359,519	264,423

The attached notes on pages 8 to 28 form an integral part of these financial statements.

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Statement of Changes in Shareholders' Equity
for the year ended 31 December 2017

	US$ '000			
	Share capital	**Statutory reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2016	380,417	190,208	332,662	903,287
Total comprehensive income for the year				
Net profit for the year	-	-	264,423	264,423
Total comprehensive income for the year	-	-	264,423	264,423
Dividend paid (Note 8)	-	-	(332,660)	(332,660)
Balance as at 31 December 2016	380,417	190,208	264,425	835,050
Total comprehensive income for the year				
Net profit for the year	-	-	359,519	359,519
Total comprehensive income for the year	-	-	359,519	359,519
Dividend paid (Note 8)	-	-	(264,425)	(264,425)
Balance as at 31 December 2017	380,417	190,208	359,519	930,144

The attached notes on pages 8 to 28 form an integral part of these financial statements.

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Statement of Cash Flows
for the year ended 31 December 2017

	Notes	US$ '000 2017	US$ '000 2016
Cash flows from operating activities			
Net profit for the year		359,519	264,423
Adjustments for:			
Depreciation and amortisation	4 & 5	80,831	79,785
Loss on sale of property, plant and equipment		170	-
Finance costs		10,474	9,000
Finance income		(4,123)	(5,363)
Provision for KFAS and Zakat		5,758	4,284
		452,629	352,129
Changes in:			
Inventories		(20,856)	12,529
Due from related parties		71,797	(33,928)
Trade receivables		299	(292)
Prepayments and other receivables		20,043	(20,948)
Due to related parties		57,741	(7,113)
Accruals and other liabilities		(21,367)	(19,756)
Trade payables		(1,211)	594
Net cash from operating activities		559,075	283,215
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(82,418)	(5,146)
Proceeds from sale of property, plant and equipment		423	-
Matured time deposits		(5,322)	138,431
Finance income received		3,986	5,242
Net cash (used in) / from investing activities		(83,331)	138,527
Cash flows from financing activities			
Repayment of loans and borrowings	14	(139,527)	(132,306)
Finance costs paid		(9,724)	(7,809)
Dividend paid	8	(264,425)	(332,660)
Net cash used in financing activities		(413,676)	(472,775)
Net increase / (decrease) in cash and bank balances		62,068	(51,033)
Cash and bank balances at 1 January		80,733	131,766
Cash and bank balances at 31 December	7	142,801	80,733

The attached notes on pages 8 to 28 form an integral part of these financial statements.

1. Reporting entity

The Kuwait Olefins Company K.S.C.C. ("the Company") is a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 10 October 2004. The Company is registered in the commercial register under number 103722 dated 10 October 2004.

The Company is owned by DOW Europe Holding B.V. ("DEH"), Petrochemical Industries Company K.S.C.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC").

DEH is a subsidiary of the "The Dow Chemical Company". The word "DOW" further mentioned in this report refers to the "The Dow Chemical Company and its subsidiaries as a group".

The Company is engaged in the manufacture and sale of ethylene and ethylene glycol ("EG").

These financial statements were approved for issue by Board of Directors on 14 February 2018 and are subject to approval of shareholders at the annual general meeting.

The address of the Company's registered office is East Ahmadi, Block 9, Kuwait.

2. Basis of preparation

a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, the Company's memorandum and articles of association and Ministerial order No.18 of 1990.

b) Basis of measurement

The financial statements have been prepared on the historical cost or amortised cost basis, except for derivative financial instruments which are measured at fair value.

c) Functional and presentation Currency

These financial statements are presented in United States Dollars ("US$") which is the functional currency of the Company. The Company's functional currency is not the currency of the country in which it is domiciled as majority of the transactions of the Company are denominated in US$. All financial information presented in US$ has been rounded to the nearest thousand. A separate set of financial statements is presented in Kuwaiti Dinar ("KD") for purpose of submission to the Ministry of Commerce and Industry, State of Kuwait.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 3(l).

3. Significant accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the adoption of the following new and amended standards effective for the annual periods beginning on 1 January 2017.

Disclosure initiatives (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Amendments to IAS 12: Recognition of Deferred Tax Assets for unrealized losses

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

Annual improvements to IFRS 2014-2016 cycle

The annual improvements to IFRS 2014-2016 cycle including amendments to IFRS, which are summarised below:

IFRS 12: disclosure of interest in other entities

The amendments to IFRS 12 provide additional guidelines to disclose requirements for interest in other entities also apply to interest that are classified as held for sale or distribution.

a) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use, at the following annual rates:

Buildings and roads	5%
Plant and equipment	5%
Office furniture and equipment	20%

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the property, plant and equipment being replaced. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of fixed asset. All other expenditure is recognised in the statement of profit or loss when the expense is incurred. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

Assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

The replacement costs of major components and overhaul costs which improve the economic benefit that can be generated are capitalised by the Company. The Company recognises and accounts for each component of its asset separately for depreciation. The component approach is also applied where regular major inspections of an asset are a condition of continuing to use it. The cost of each inspection is treated as a separate item (replacement) of property, plant and equipment provided recognition criteria are satisfied.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in the statement of profit or loss.

b) Intangible assets

Intangible assets consist of technology and licences for the manufacture of ethylene and ethylene glycol, and reservation right fees for the right of use of the new utilities and infrastructure facilities developed by Equate Petrochemical Company K.S.C.C. ("EQUATE") under the Olefins II Projects (Note 14). Intangibles are measured at cost less accumulated amortisation and any accumulated impairment losses. Costs that are directly associated with identifiable non-monetary assets controlled by the Company and that will probably generate economic benefits exceeding cost beyond one year are recognised as intangible assets.

The intangible assets are amortised from the date of commencement of commercial production on a straight-line basis over twenty years. The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

c) Impairment of tangible and intangible assets

The carrying amounts of tangible and intangible assets are reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognized in the statement of comprehensive income, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

d) Financial instruments

Classification

The Company classifies its financial instruments as loans and receivables, financial liabilities other than at fair value through profit or loss and derivatives. Management determines the appropriate classification at the time of acquisition.

Recognition and de-recognition

The Company recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is de-recognised when the contractual right to the cash flows from the financial asset expires or, when the Company transfers substantially all the risks and rewards of ownership and has not retained control. If the Company has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

All regular way purchase and sale of financial assets are recognized using trade date accounting. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortized cost using the effective yield method.

Due from related parties, trade receivables, other receivables and cash and bank balances are classified as loans and receivables.

Financial liabilities other than at fair value through profit or loss

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortized cost using the effective yield method.

Loans and borrowings, due to related parties, accruals and other liabilities and trade payables are classified as financial liabilities other than at fair value through profit or loss.

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in the statement of profit or loss immediately. Foreign exchange forward contracts are treated as trading instruments and are stated at fair market value with gains or losses included in foreign exchange gain / (loss) in the statement of profit or loss within the period they occur.

Fair values

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 principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of financial instruments carried at amortised cost, other than short-term financial instruments, is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

For financial instruments carried at amortized cost, fair values are not materially different from their carrying values and are used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

Impairment

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in statement of profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in statement of profit and loss.

e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank current accounts and short term deposits with an original maturity of three months or less from the date of placement.

f) Inventories

Finished goods are measured at the lower of weighted average cost or net realisable value. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition.

Raw materials and catalysts are measured at weighted average cost net of allowance for slow-moving and obsolete items.

Spare parts are not intended for resale and are measured at weighted average cost after making allowance for slow-moving and obsolete items. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

Net realisable value is the estimated selling price for inventories in the ordinary course of business less estimated costs of completion and selling expenses.

g) Revenue recognition

Sales net of applicable discounts, are recognised when the revenue is realised or realisable, has been earned, and collectability is reasonably assured. Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer, which usually occurs at the time shipment is made. EG production is sold FOB ("Free On Board") shipping point. The transfer of the risks and rewards of ownership occurs when the product is delivered to the freight carrier. The Company's terms of sale are included in its contracts of sale, order confirmation documents and invoices. Freight costs are recorded as "Cost of Sales".

Interest income is accrued on effective yield basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

h) Provisions for liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

i) Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets by applying a capitalisation rate on the expenditure on such assets, until such time as the assets are substantially ready for their intended use. The capitalisation rate used by the Company is the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. Borrowing costs that are not directly attributable to the acquisition, construction, or production of qualifying assets are recognised in the statement of profit or loss using the effective interest method in the period in which they are incurred.

j) Accounting for leases

Where the company is the lessee

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

k) Foreign currencies transactions.

Transactions in foreign currencies are translated into USD at rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into USD at rates of exchange prevailing at the statement of financial position date. The resultant exchange differences are recorded in the statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

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. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss.

l) Critical accounting judgements and key sources of estimation uncertainty

The following are the critical accounting judgements, apart that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Determination of functional currency

Functional currency is the currency of the primary economic environment in which the Company operates. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management have determined that the functional currency of the Company is US$ since the majority of the Company's transactions are denominated in US$. Sales and Purchases are also received and paid in US$.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date are discussed below:

Impairment of loans and receivables

The Company's management periodically reviews items classified as loans and receivables to assess whether an allowance for impairment should be recorded in the statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of allowance required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Impairment of tangible and intangible assets and useful lives

The Company's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies , the recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

During the year, the Company reviewed the estimated useful life over which its tangible assets are depreciated and intangible assets are amortised. The Company's management is satisfied that the estimates of useful life are appropriate. The depreciation and amortisation charged for the year may change significantly if actual life is different than the estimated useful life.

m) New standards and interpretations not yet adopted

The following IASB Standards have been issued but are not yet effective and have not been early adopted by the Company.

IFRS 15 - Revenue from contracts with customers

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

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

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

The Company has anticipated that IFRS 15 will be adopted in the Company's financial statements when it becomes mandatory. Based on the current accounting treatment of the Company's major sources of revenue (Note 2(g)) the management does not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Company, apart from providing more extensive disclosures on the Company's revenue transactions. However, as the management is still in the process of assessing the full impact of the application of IFRS 15 on the Company's financial statements as it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

IFRS 9: Financial Instruments

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Company's financial assets but is not expected to have any impact on the classification and measurement of financial liabilities. The Company is in the process of quantifying the impact of this standard on the financial statements, when adopted.

IFRS 16- Leases

IFRS 16 introduces a single, on balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The application of IFRS 15, IFRS 9 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements. However, currently it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

The annual improvement to IFRS 2015-2017 cycle

The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

IAS 12 Income Taxes

Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.

IAS 23 Borrowing Costs

Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

The annual improvement to IFRS 2014-2016 cycle

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted.

IAS 28 Investments in Associates and Joint Ventures

This provides guidelines in relation to following interpretations;

- A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.
- A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

4. Property, plant and equipment

	US$ '000				
	Buildings and roads	Plant and equipment	Office furniture and equipment	Assets under construction	Total
Cost					
Balance as at 1 January 2016	9,641	1,132,791	22,135	1,050	1,165,617
Additions	-	-	-	5,146	5,146
Balance as at 31 December 2016	9,641	1,132,791	22,135	6,196	1,170,763
Additions	-	50,177	-	32,241	82,418
Transfers	-	4,513	281	(4,794)	-
Disposals	-	(1,008)	-	-	(1,008)
Balance as at 31 December 2017	9,641	1,186,473	22,416	33,643	1,252,173
Accumulated depreciation and impairment losses					
Balance as at 1 January 2016	3,414	397,207	22,135	-	422,756
Charge for the year	482	57,653	-	-	58,135
Balance as at 31 December 2016	3,896	454,860	22,135	-	480,891
Charge for the year	482	58,643	56	-	59,181
Depreciation related to disposals	-	(415)	-	-	(415)
Balance as at 31 December 2017	4,378	513,088	22,191	-	539,657
Carrying amounts					
As at 31 December 2016	5,745	677,931	-	6,196	689,872
As at 31 December 2017	5,263	673,385	225	33,643	712,516

Depreciation is allocated to cost of sales as it relates to the Olefins Plant. The Company's plant was constructed on a land leased from Government of Kuwait and this renewable lease is valid until May 2031.

5. Intangible assets

	US$ '000	
	2017	2016
Cost		
Licence fees paid to Technip USA Corporation ("TECHNIP")	2,210	2,210
Licence fees paid to "Union Carbide Chemicals & Plastics Tech Corporation"	31,472	31,472
Licence fees paid to "Dow Europe Holding B.V."	58,688	58,688
Licence fees paid to UOP Limited	364	364
Reservation right fees paid to EQUATE	340,255	340,255
As at 31 December	432,989	432,989
Accumulated amortisation and impairment losses		
As at 1 January	174,302	152,652
Charge for the year	21,650	21,650
As at 31 December	195,952	174,302
Carrying amounts	237,037	258,687

Licence fees paid to TECHNIP and to UOP Limited represent the amounts incurred for the acquisition of Ethylene technology. Licence fees paid to Union Carbide Chemicals & Plastics Tech Corporation and Dow Europe Holding B.V. represent the amount incurred for acquisition of Glycol technology. Licence fees are being amortised over 20 years.

Amortisation of intangible assets is allocated to cost of sales.

Reservation right fees represent the Company's share of the total costs incurred on the Utilities and Infrastructure facilities developed and owned by EQUATE (Note 14).

6. Inventories

	US$ '000	
	2017	2016
Raw materials and consumables	27,927	6,915
Finished goods	1,095	1,251
	29,022	8,166

7. Cash and bank balances

	US$ '000	
	2017	2016
Bank balances	15,014	10,691
Time deposits with original maturity of three months or less	127,787	70,042
Cash and cash equivalents in statement of cash flows	142,801	80,733
Add: Time deposits with original maturity period exceeding three months	190,177	184,855
	332,978	265,588

The effective interest rate on time deposits as at 31 December 2017 was 1.64% (2016: 1.71%) per annum.

8. Share capital

As at 31 December 2017 and 2016, the authorised share capital of the Company comprises 1,060 million authorised, issued and fully paid up shares of 100 Fils each.

Statutory reserve

In accordance with the Companies Law No. 1 of 2016, as amended and the Company's articles of association, 10% of the net profit for the year is required to be transferred to statutory reserve, until the reserve totals 50% of the paid-up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividends.

During 2013, the shareholders in the AGM resolved to discontinue the transfer to statutory reserve as the reserve reached 50% of the Company's paid up share capital. Accordingly, there are no transfers to the statutory reserve during the year.

Proposed dividend

The Board of Directors proposed a cash dividend of US$ 359,519 thousand for the year ended 31 December 2017 (2016: US$ 264,425 thousand) which is subject to the approval of shareholders at the Annual General Assembly. This dividend has not been recorded in the accompanying financial statement and will be recorded after approval of the shareholders. On 23 March 2017, the shareholders approved the dividend for the year ended 31 December 2016 and accordingly US$ 264,425 thousand, representing 24.91 cent per share was paid by the Company.

9. Cost of sales

	US$ '000	
	2017	2016
Materials	151,088	133,999
Distribution expenses	7,159	6,753
Service cost	132,723	85,896
Depreciation and amortisation	80,831	79,785
	371,801	306,433

10. General, administrative and selling expenses

	US$ '000	
	2017	2016
Marketing and sales	1,167	1,703
Administration	3,781	3,784
	4,948	5,487

11. Finance Cost

This represents interest expenses on term loan facility taken from EQUATE at an effective interest rate of 2.75% (2016: 1.73%) as disclosed in Note 14.

12. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

KFAS is calculated at 1% of the net profit for the year of the Company after deducting the transfer to statutory reserve.

13. Contribution to Zakat

Zakat is calculated at 1% on the net profit for the year attributable to Kuwaiti shareholders of the Company after allowable deductions.

14. Related party transactions

In the normal course of business, the Company enters into transactions with its shareholders PIC (wholly owned by Kuwait Petroleum Corporation ("KPC")), BPC, QPIC, DOW and its affiliates.

During 2004, DOW and PIC initiated a number of joint venture petrochemical projects ("Olefins II projects") in Kuwait to manufacture polyethylene, ethylene glycol and styrene monomer. The Olefins II projects consists of the EQUATE expansion project, the incorporation and development of the Company and The Kuwait Styrene Company ("TKSC").

On 2 December 2004, the Company signed a Materials and Utilities Supply Agreement ("MUSA") with EQUATE. Under the terms of the MUSA, the Company contributed reservation right fees to EQUATE that represent 45.32% of the capital construction costs incurred by EQUATE on the new utilities and infrastructure facilities developed and owned by EQUATE. The percentage contribution of reservation right fee is based on the usage percentage of the new utilities and infrastructure facilities by the Company.

On 2 December 2004, the Company signed an Operations, Maintenance and Services Agreement ("OMSA") with EQUATE. Under the terms of the OMSA, the Company receives various services from EQUATE in respect of the Olefins II operations.

On 2 December 2004, the Company signed an Ethylene Supply Agreement with EQUATE and TKSC. Under the terms of the agreement, the price per metric tonne of ethylene is paid by EQUATE and TKSC based on the quantities delivered to them at the contract price.

During 2005, Services Agreements were signed between the Company, DOW, PIC and EQUATE for the provision of various services to the Company during the development of the Plant under construction. Since then the plant has been constructed and it is fully operational.

On 17 April 2006, the Company signed a distribution agreement with MEGlobal International FZE Dubai (part of MEGlobal group, ''MEGlobal") as distributor for EG produced by the Company. MEGlobal is a 100% owned subsidiary of EQUATE, a company owned by the shareholders.

On 31 May 2006, the Company signed a US$ 1,504 million term loan agreement with EQUATE being the Company's share of term loan EQUATE obtained from local and foreign banks ("Lenders"). The term loan is repayable over a period of 11 years in semi-annual installements starting from 15 December 2009 and carries the coupon rate of LIBOR +0.625% till 19 May 2013, LIBOR +0.725% till 19 May 2016 and LIBOR + 0.825% till the maturity date. According to terms of loan agreement with Lenders, property, plant and equipment and bank balances of EQUATE and Company were pledged as collateral. In December 2015, EQUATE prepaid entire term loan balance to the lenders and as a result, the Lenders released lien on above assets.

In addition to the above there are number of arrangements with the related parties which are disclosed below.

Details of significant related party transactions and balances are as follows:

	US$ '000	
	2017	2016
Due from related parties		
Due from EQUATE	9,810	34,598
Due from PIC	1,429	2,709
Due from KPC	-	37,434
Due from TKSC	1,055	3,466
Due from ME Global	82,805	88,691
Due from KPPC	2	-
	95,101	166,898
Loans and borrowings (from EQUATE)		
Non-current portion of loans and borrowings	234,101	380,129
Current portion of loans and borrowings	147,294	139,527
	381,395	519,656
Movement in loans and borrowings (from EQUATE)		
Balance at 1 January	519,656	650,892
Payment during the year	(139,527)	(132,306)
Loan origination fees	1,266	1,070
Balance at 31 December	381,395	519,656
Due to related parties		
Due to EQUATE	68,884	13,228
Due to PIC	1,268	1,000
Due to KPPC	46	39
Due to KPC	15,295	13,559
Due to Kuwait Oil Company	1,566	2,058
Due to DOW	53	-
Due to TKSC	-	103
Due to ME Global	616	-
	87,728	29,987
Sales		
Sales of EG to MEGlobal	634,307	416,536
Sales to EQUATE, TKSC and PIC	110,858	140,365
Expenses		
Feed gas purchased from KPC	83,725	81,710
Catalysts and other raw materials purchased from DOW	20,109	-
Olefins II plant management fees to EQUATE	3,057	3,088
Purchase of Ethylene from EQUATE	3,275	-
Toggling fees payments to KOC	6,304	6,145
Operating and utility cost reimbursed to EQUATE for running the Olefins II plant	132,619	131,724

Board of Directors' remuneration

The provision for the Board of Directors' remuneration was made according to Article 198 of the Companies Law No.1 of 2016, as amended and its Executive Regulations and is subject to the approval of Annual General Meeting.

15. Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Financial management framework

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by the senior management under policies approved by the board of directors. Senior management identifies and evaluates financial risks in close co-operation with the operating units.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The significant financial risks that the Company is exposed to are discussed below:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and the equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Foreign currency exposure risks are managed by dealing in forward contracts within approved limits. As at 31 December 2017, the Company had following net notional forward exchange contracts (off balance sheet exposure):

	US$ '000 2017	US$ '000 2016
Short position		
Euro	22,000	16,245
Long term position		
Euro	18,750	9,426

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate. These are classified as level 2.

The Company's on balance sheet exposure to foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

31 December 2017 (US$' 000)	**Euro**	**Kuwaiti Dinar**	**Total**
Assets	10,628	2,974	13,602
Liabilities	-	(7,527)	(7,527)
Net long/ (short) exposure	10,628	(4,553)	6,075

31 December 2016 (US$' 000)	**Euro**	**Kuwaiti Dinar**	**Total**
Assets	9,610	568	10,178
Liabilities	-	(6,641)	(6,641)
Net long/ (short) exposure	9,610	(6,073)	3,537

The following exchange rates were applied to translate monetary assets and liabilities at 31 December 2017:

(US$)	**Reporting date Mid-spot rate**	
	2017	**2016**
Euro	0.837	0.954
Kuwaiti Dinar	0.302	0.306

Foreign currency sensitivity analysis

As at 31 December 2017, if the US$ had weakened/strengthened by 5% against the Euro and Kuwaiti Dinar with all other variables held constant, profit for the year would have been higher / lower by US$ 304 thousand (2016: US$ 177 thousand).

Interest rate risk

The Company is exposed to interest rate risk as it borrows and places funds.

Interest rate sensitivity analysis

At 31 December 2017, if interest rates on US$ denominated borrowings had been 10 basis points higher/ lower with all other variables held constant, profit for the year would have been US$ 381 thousand (2016: US$ 196 thousand) lower/ higher.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in note 14.

Equity price risk

Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. The Company is not exposed to any equity price risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables, due from related parties and bank balances and time deposits.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults

The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure to and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

The Company has significant credit risk exposure to banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Exposure to credit risk

The carrying amount of following financial assets represents the maximum credit exposure of the Company:

	US$ '000	
	2017	**2016**
Trade receivables	159	458
Due from related parties	95,101	166,898
Other receivables	1,715	16,944
Bank balances and time deposits	332,978	265,588
	429,953	449,888

The average credit period on sales is 61 days (2016: 66 days). As at the statement of financial position date, the trade receivables were fully performing.

Transactions with related parties are carried out on a negotiated contract basis. All the related parties have a high credit rating and are reputable in the market.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	US$' 000					
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**	**Carrying amount**
As at 31 December 2017						
Trade payables	430	-	-	-	430	430
Due to related parties	87,728	-	-	-	87,728	87,728
Accruals and other liabilities	9,196	-	-	-	9,196	9,196
Loans and borrowings	154,077	159,723	81,844	-	395,644	381,395
Total	251,431	159,723	81,844	-	492,998	478,749
As at 31 December 2016						
Trade payables	1,641	-	-	-	1,641	1,641
Due to related parties	29,987	-	-	-	29,987	29,987
Accruals and other liabilities	25,321	-	-	-	25,321	25,321
Loans and borrowings	144,361	151,091	240,524	-	535,976	519,656
Total	201,310	151,091	240,524	-	592,925	576,605

Fair value

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 Company 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 fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (level II inputs). All other financial instruments are classified as Level III.

16. Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements, except the minimum requirement of the Companies Law No. 1 of 2016, as amended and its Executive Regulations.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt to adjusted capital. Net debt is calculated as total borrowings (including current and non- current portion) of long term loan from related parties less cash and bank balances.

Gearing ratio

The gearing ratio at 31 December was as follows:

	US$ '000	
	2017	**2016**
Debt	381,395	519,656
Less: Cash and bank balances	(332,978)	(265,588)
Net debt	48,417	254,068
Equity	930,144	835,050
Net debt to equity ratio	5.21%	30.43%

17. Commitments and contingencies

The Company has a fixed gas purchase commitment with a related party of approximately US$ 281,143 (2016: US$ 223,795) per day until the agreement is cancelled in writing by both parties.

On 23 June 2016, the EQUATE Group entered into a US$ 5 billion long term loan agreement ("Term Loan") with a consortium of banks. The Term Loan consisted of US $ 2 billion Tranche A 5-year bullet facility, US$ 2 billion Tranche B 3-year bullet facility, and USD 1 billion 3 year revolving credit facility. The Company is jointly and severally a guarantor along with EQUATE Group for the Term Loan and the credit facilities include customary covenants.

On 28 February 2017, the EQUATE Group early settled Tranche B 3-year bullet facility amounting to USD 500 million. This facility had the original maturity date on 30 November 2019. Further undrawn available facility of Tranche B has been cancelled in February 2017.

On 3 November 2016, the EQUATE Group established a US$ 4 billion Global Medium Term Note Programme (the "Programme") and issued notes amounting to US$ 2.25 billion (the "Notes"). The payments of all amounts due in respect of the Notes is unconditionally and irrevocably guaranteed, jointly and severally by the Company and Group. The Notes are listed on Irish Stock Exchange ("ISE").

In December 2016, the EQUATE Group established a US$ 2 billion Sukuk programme (the "Sukuk") and issued Sukuk amounting to US$ 500 million on 21 February 2017. The Sukuk is guaranteed by the Company and is listed on ISE.

In addition to the above, the Company had the following commitments and contingent liabilities outstanding as at 31 December:

	US$ '000	
	2017	**2016**
Capital commitments	2,752	8,072

18. Operating leases

	US$ '000	
	2017	**2016**
Less than one year	92	94
Between one and five years	367	375
More than five years	735	938
	1,194	1,407