

**Independent Petroleum Group Company S.A.K. (Closed)
and subsidiaries
State of Kuwait**



**Condensed consolidated interim financial information and independent
auditors' review report
for the three month period ended 31 March 2014
(Unaudited)**



For the three month period ended 31 March 2014

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Independent auditors' report on review of condensed consolidated interim financial information

**The Board of Directors of
Independent Petroleum Group Company S.A.K. (Closed)
State of Kuwait**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Independent Petroleum Group Company S.A.K. (Closed) ("the Parent Company") and its subsidiaries (together the "Group") as at 31 March 2014, and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard, IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

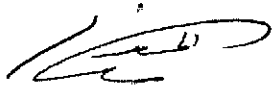
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion


Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Report on Other legal and Regulatory Requirements

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the accounting records. We further report that nothing has come to our attention indicating any contravention during the three month period ended 31 March 2014, of the Companies Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum and Articles of Association, that might have had a material effect on the Group's activities or on its consolidated financial position.



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Kuwait: 29 April 2014



Condensed consolidated statement of income (unaudited)
for the three month period ended 31 March 2014

	Notes	Three month period ended 31 March	
		2014 KD '000	2013 KD '000
Sales		279,065	357,231
Cost of sales		(277,707)	(354,704)
Gross profit		1,358	2,527
Net interest relating to oil marketing operations	3	(869)	(1,032)
Net results of oil marketing operations		489	1,495
Share of results of joint venture and associates	7 & 8	1,286	1,121
Dividend income	6	1,319	135
General and administrative expenses		(418)	(403)
Staff costs		(976)	(1,166)
Depreciation		(357)	(356)
Operating profit		1,343	826
Gain on investments at fair value through statement of income		239	811
Net other income / (expense)		14	(54)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		1,596	1,583
Contribution to KFAS		(16)	(14)
NLST and Zakat		-	-
Profit for the period		1,580	1,569
Earnings per share (fils)	4	10.92	10.85

The accompanying notes set out on pages 9 to 16 form an integral part of this condensed consolidated interim financial information.



Condensed consolidated statement of comprehensive income (unaudited)
for the three month period ended 31 March 2014

	Three month period ended	
	31 March	
	2014	2013
	KD '000	KD '000
Profit for the period	1,580	1,569
Other comprehensive income :		
<u>Items that may be reclassified subsequently to statement of income</u>		
Changes in fair value of investments available for sale	6	34
Foreign currency translation adjustments	332	1,497
Movement in share of associates' hedging reserve	-	(5)
Other comprehensive income for the period	<u>338</u>	<u>1,526</u>
Total comprehensive income for the period	<u>1,918</u>	<u>3,095</u>

The accompanying notes set out on pages 9 to 16 form an integral part of this condensed consolidated interim financial information.

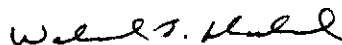
Condensed consolidated statement of financial position (unaudited)
as at 31 March 2014

	Notes	31 March 2014 KD '000	31 December 2013 KD '000 (Audited)	31 March 2013 KD '000
ASSETS				
Cash on hand and at banks	5	15,138	60,483	21,133
Investments at fair value through statement of income	6	46,520	46,347	44,069
Trade and other receivables		173,749	118,615	235,651
Inventories		28,065	44,596	54,376
Total current assets		263,472	270,041	355,229
Other loans		1,043	1,174	2,181
Investments available for sale	6	26,615	26,643	26,644
Investment in joint venture	7	3,923	3,784	4,320
Investment in associates	8	24,126	23,017	22,352
Property and equipment	9	17,925	18,270	19,296
Total non-current assets		73,632	72,888	74,793
Total assets		337,104	342,929	430,022
LIABILITIES AND EQUITY				
Due to banks		158,206	163,308	267,866
Directors' fees payable		-	80	-
Trade and other payables		89,545	87,551	72,550
Current portion of term loan		1,019	1,021	1,033
Total current liabilities		248,770	251,960	341,449
Non-current portion of term loan		6,896	7,161	8,020
Provision for staff indemnity		1,875	1,824	2,025
Total non-current liabilities		8,771	8,985	10,045
Total liabilities		257,541	260,945	351,494
Equity				
Share capital	10	15,225	15,225	15,225
Share premium		22,587	22,587	22,587
Legal reserve		7,613	7,613	7,152
General reserve		606	606	606
Fair value reserve		24,108	24,102	23,873
Foreign currency translation adjustments		(1,663)	(1,995)	(620)
Share of associates' hedging reserve		(101)	(101)	(196)
Treasury shares reserve		1,429	1,429	1,429
Treasury shares	11	(2,770)	(2,770)	(2,770)
Retained earnings		12,529	15,288	11,242
Total equity		79,563	81,984	78,528
Total liabilities and equity		337,104	342,929	430,022

The accompanying notes set out on pages 9 to 16 form an integral part of this condensed consolidated interim financial information.

Khalaf Ahmad Al-Khalaf
Chairman

Ghazi Fahad Al-Nafisi
Vice Chairman


Waleed Jaber Hadeed
Chief Executive Officer



Condensed consolidated statement of changes in equity (unaudited)
for the three month period ended 31 March 2014

	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	Share of associates' hedging reserve KD '000	Treasury shares reserve KD '000	Treasury shares KD '000	Retained earnings KD '000	Total KD '000
Balance at 1 January 2014	15,225	22,587	7,613	606	24,102	(1,995)	(101)	1,429	(2,770)	15,288	81,984
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	1,580	1,580
Profit for the period	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	6	332	-	-	-	-	338
Total comprehensive income for the period	-	-	-	-	6	332	-	-	-	1,580	1,918
Transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-
Dividends for 2013 (note 16)	-	-	-	-	-	-	-	-	-	(4,339)	(4,339)
Balance at 31 March 2014	15,225	22,587	7,613	606	24,108	(1,663)	(101)	1,429	(2,770)	12,529	79,563



Condensed consolidated statement of changes in equity (unaudited)
for the three month period ended 31 March 2014

	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	Share of associates' hedging reserve KD '000	Treasury shares reserve KD '000	Treasury shares KD '000	Retained earnings KD '000	Total KD '000
Balance at 1 January 2013	15,225	22,587	7,152	606	23,839	(2,117)	(191)	1,429	(2,770)	14,012	79,772
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	1,569	1,569
Profit for the period	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income / (loss)	-	-	-	-	34	1,497	(5)	-	-	-	1,526
Total comprehensive income for the period	-	-	-	-	34	1,497	(5)	-	-	1,569	3,095
Transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-
Dividends for 2012 (note 16)	-	-	-	-	-	-	-	-	-	(4,339)	(4,339)
Balance at 31 March 2013	15,225	22,587	7,152	606	23,873	(620)	(196)	1,429	(2,770)	11,242	78,528

The accompanying notes set out on pages 9 to 16 form an integral part of this condensed consolidated interim financial information.



Condensed consolidated statement of cash flows (unaudited)
for the three month period ended 31 March 2014

	Note	Three month period ended 31 March	
		2014 KD '000	2013 KD '000
OPERATING ACTIVITIES			
Profit before provisions for contribution to KFAS, NLST and Zakat		1,596	1,583
<i>Adjustments for:</i>			
Depreciation		357	356
Interest expense		877	1,039
Dividend income		(1,319)	(135)
Gain on investments at fair value through statement of income		(239)	(811)
Share of results from joint venture and associates		(1,286)	(1,121)
Interest income		(13)	(25)
Provision for staff indemnity		51	224
		24	1,110
<i>Changes in operating assets and liabilities:</i>			
Trade and other receivables		(55,135)	(75,107)
Inventories		16,531	11,713
Trade and other payables		2,064	(8,578)
Cash used in operations		(36,516)	(70,862)
Interest received		13	7
Payment to KFAS		(56)	(54)
Directors' fees paid		(80)	(100)
Net cash used in operating activities		(36,639)	(71,009)
INVESTING ACTIVITIES			
Investments available for sale		-	536
Dividends received		1,319	135
Decrease in other loans		131	-
Purchase of property and equipment		(31)	(2)
Net cash generated from investing activities		1,419	669
FINANCING ACTIVITIES			
Due to banks		(5,102)	64,945
Term loans		(267)	(378)
Dividends paid		(4,339)	(4,339)
Interest paid		(906)	(1,072)
Net cash (used in) / generated from financing activities		(10,614)	59,156
Effect of foreign currency translation		489	(228)
Net decrease in cash and cash equivalents		(45,345)	(11,412)
Cash and cash equivalents at beginning of the period		60,271	31,314
Cash and cash equivalents at end of the period	5	14,926	19,902

The accompanying notes set out on pages 9 to 16 form an integral part of this condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information (unaudited)
for the three month period ended 31 March 2014

1. Incorporation and activities

Independent Petroleum Group Company S.A.K. (Closed) (“the Parent Company”) was incorporated on 11 September 1976 as a Closed Kuwaiti Shareholding Company. The Parent Company was listed on the Kuwait Stock Exchange on 10 December 1995.

The main activities of the Parent Company and its subsidiaries (together referred to as “the Group”) are the trading of crude oil and petroleum products, strategic investments and joint ventures in petroleum storage facilities, terminal and distribution facilities and other activities related to the petroleum industry and consulting services in the petroleum and petrochemicals fields, ownership of vessels, ship-chartering and other ancillary services.

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

The Companies Law was issued on November 26, 2012 by the Decree No. 25 of 2012 (the “Companies Law”), and had cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended by the Law No. 97 of 2013. The Executive Charter of the new amended law was issued on September 29, 2013 and was published in the Official Gazette on October 6, 2013. As stated in Article No. (3) of the Executive Charter, all companies have a grace period of one year from the Executive Charter’s publication date to comply with the new amended law requirements.

This condensed consolidated interim financial information for the three month period ended 31 March 2014 was authorized for issue by the Chairman on behalf of the Board of Directors on 29 April 2014.

2. Basis of preparation

a) Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The accounting policies used in the preparation of the condensed consolidated interim financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2013, except for the implementation of the following standards which are effective 1 January 2014:

IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms.



Notes to the condensed consolidated interim financial information (unaudited)
for the three month period ended 31 March 2014

IAS 36 Impairment of assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosures of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively and accordingly will be considered while making disclosures for impairment of non-financial assets in the consolidated financial statements for the year ending 31 December 2014 and would continue to be considered for future disclosures.

The above amendments have no significant impact on the condensed consolidated interim financial.

The condensed consolidated interim financial information do not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the three month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2013.

b) Judgments and estimates

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and key source of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements for the year ended 31 December 2013.

3. **Net interest relating to oil marketing operations**

	Three month period ended	
	31 March	
	2014	2013
	KD '000	KD '000
Interest income	8	7
Interest expense	(877)	(1,039)
	<u>(869)</u>	<u>(1,032)</u>

Notes to the condensed consolidated interim financial information (unaudited)
for the three month period ended 31 March 2014

4. Earnings per share

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

	Three month period ended 31 March	
	2014 KD '000	2013 KD '000
Profit for the period	1,580	1,569
	Shares	Shares
Weighted average number of issued shares outstanding during the period	152,250,000	152,250,000
Weighted average number of treasury shares outstanding during the period	(7,620,000)	(7,620,000)
Weighted average number of shares outstanding during the period	144,630,000	144,630,000
Earnings per share (fils)	10.92	10.85

5. Cash on hand and at banks

	31 March 2014 KD '000	31 December 2013 KD '000 (Audited)	31 March 2013 KD '000
Cash on hand and at banks	5,293	20,799	5,343
Call accounts and time deposits	9,633	39,472	14,559
Cash and cash equivalents	14,926	60,271	19,902
Time deposits with maturity exceeding three months	212	212	1,231
	15,138	60,483	21,133

Notes to the condensed consolidated interim financial information (unaudited)
for the three month period ended 31 March 2014

6. Investments

	31 March 2014 KD '000	31 December 2013 KD '000 (Audited)	31 March 2013 KD '000
Investments at fair value through statement of income:			
Held for trading:			
Managed portfolios	45,220	45,047	42,861
Securities	1,300	1,300	1,208
	<u>46,520</u>	<u>46,347</u>	<u>44,069</u>
Investments available for sale:			
Quoted securities	217	210	201
Unquoted securities	26,398	26,433	26,443
	<u>26,615</u>	<u>26,643</u>	<u>26,644</u>

Investments at fair value through statement of income with a carrying amount of KD 45,220 thousands (31 December 2013: KD 45,047 thousands and 31 March 2013: KD 42,861 thousands) are pledged as collateral against amounts due to banks.

The unquoted securities also include an investment of 12.5% in Asia Petroleum Ltd. carried at cost of KD 1,137 thousands (31 December 2013: KD 1,137 thousands and 31 March 2013: KD 1,137 thousands).

During the period ended 31 March 2014, the Group received a dividend of KD 1,248 thousands (31 March 2013: KD Nil) from Vopak Horizon Fujairah Limited (VHFL) and KD 71 thousands (31 March 2013: KD 135 thousands) from Asia Petroleum Limited (APL).

7. Investment in joint venture

The Group has a 50% equity shareholding with equivalent voting power in Uniterminals Ltd, Lebanon. Following are the details of share of results from joint venture recorded during the period:

	Three month period ended 31 March	
	2014 KD '000	2013 KD '000
Share of results from Uniterminals Ltd, Lebanon	145	191
	<u>145</u>	<u>191</u>

The Group's share in the net assets and results of joint venture included in the condensed consolidated interim financial information was based on their respective management accounts for the three months period ended 31 March 2014 (2013: Three months period ended 31 March 2013).

Notes to the condensed consolidated interim financial information (unaudited)
for the three month period ended 31 March 2014

8. Investment in associates

Following are the details of share of results from associates recorded during the period:

	Three month period ended 31 March	
	2014	2013
	KD '000	KD '000
<i>Share of results from:</i>		
Horizon Singapore Terminals Private Ltd	464	514
Arab Tank Terminals L.L.C.	129	102
Inpetro SARL	191	31
Horizon Djibouti Holdings Ltd.	184	154
Horizon Tangiers Terminals SA.	173	129
	<u>1,141</u>	<u>930</u>

The Group's share in the net assets and results of associate companies included in the condensed consolidated interim financial information was based on their respective management accounts for the three months period ended 31 March 2014. (2013: Three months period ended 31 March 2013).

9. Property and equipment

Property and equipment at 31 March 2014 include KD 16,538 thousands (31 December 2013: KD 16,867 thousands and 31 March 2013: KD 17,501 thousands) related to ships owned by one of the subsidiaries, D&K Holdings L.L.C. Term loan fully relates to the financing of these vessels which are mortgaged against the term loan.

10. Share capital

The authorised, issued and fully paid share capital consists of 152,250,000 shares of 100 fils each (31 December 2013: 152,250,000 shares of 100 fils each and 31 March 2013: 152,250,000 shares of 100 fils each).

11. Treasury shares

	31 March 2014	31 December 2013	31 March 2013
	KD '000	KD '000	KD '000
		(Audited)	
Number of shares	7,620,000	7,620,000	7,620,000
Percentage of issued shares	5%	5%	5%
Market value (KD Million)	2.97	3.01	2.78
Cost (KD Million)	2.77	2.77	2.77

Notes to the condensed consolidated interim financial information (unaudited)
for the three month period ended 31 March 2014

12. Related party transactions and balances

These represent transactions with related parties in the normal course of business. The related party transactions and balances included in the condensed consolidated interim financial information are as follows:

	Three month period ended 31 March		
	2014 KD '000	2013 KD '000	
a) Revenues and expenses:			
Sales	74,212	83,099	
Storage expense	1,473	1,277	
b) Key management compensation			
Salaries and other short-term benefits	162	203	
Termination benefits	15	60	
c) Due from / to related parties:			
	31 March 2014 KD '000	31 December 2013 KD '000 (Audited)	31 March 2013 KD '000
<i>Due from related parties</i>			
Trade and other receivables	16,880	86	27,916
Other loans	1,043	1,174	2,181
<i>Due to related parties</i>			
Trade and other payables	396	347	1,726

Notes to the condensed consolidated interim financial information (unaudited)
for the three month period ended 31 March 2014

13. Segment information

The Group primarily operates on trading of crude oil and petroleum products. The trading of crude oil and petroleum products is also related to storage and distribution operations. These operations are inter-related and subject to similar risks and returns. The management has determined that the Group is considered to have a single reportable operating segment. The Group operates in different geographic locations. Information about the Group's reportable operating segment is summarised as follows:

	Three month period ended 31 March			
	2014		2013	
	Segment revenues KD '000	Segment results KD '000	Segment revenues KD '000	Segment results KD '000
Africa and Middle East	279,065	2,558	357,231	2,102
Asia and Far East	-	536	-	649
	<u>279,065</u>	<u>3,094</u>	<u>357,231</u>	<u>2,751</u>
Unallocated corporate items		(1,751)		(1,925)
Operating profit		<u>1,343</u>		<u>826</u>

14. Contingent liabilities and commitments

Contingent liabilities

	31 March 2014 KD '000	31 December 2013 KD '000 (Audited)	31 March 2013 KD '000
Letters of guarantee and bid bonds	930	929	7,976
Letters of credit	82,992	88,147	63,390
	<u>83,922</u>	<u>89,076</u>	<u>71,366</u>
Commitments			
Investments in projects	<u>10,000</u>	<u>12,000</u>	<u>14,000</u>

15. Fair value estimation

Amended IFRS 7 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).



Notes to the condensed consolidated interim financial information (unaudited)
for the three month period ended 31 March 2014

The fair value of managed portfolios under investments at fair value through statement of income amounting to KD 45,220 thousands (31 December 2013: KD 45,047 thousands and 31 March 2013: KD 42,861 thousands) and quoted securities under available-for-sale investments amounting to KD 217 thousands (31 December 2013: KD 210 thousands and 31 March 2013: KD 201 thousands) are determined only based on Level 1 fair value measurement which is the quoted market prices prevailing at the reporting date. The fair value of securities under held for trading category is determined based on Level 2 fair value measurement inputs.

The fair value of investment in VHFL, classified as investments available for sale is determined based on Level 3 fair value measurement which is based on the Discounted Cash Flow method of valuation.

During the period ended 31 March 2014, there were no transfers between different levels of fair value measurement.

16. Annual general assembly

The Shareholders' Annual General Assembly held on 10 March 2014 approved the annual audited consolidated financial statements for the year ended 31 December 2013 and payment of a cash dividend of 30 fils per share for the year ended 31 December 2013.

The Shareholders' Annual General Assembly held on 24 March 2013 approved the annual audited consolidated financial statements for the year ended 31 December 2012 and payment of a cash dividend of 30 fils per share for the year ended 31 December 2012.