

**Independent Petroleum Group Company K.S.C.P.  
and subsidiaries  
State of Kuwait**



**Condensed consolidated interim financial information and  
independent auditors' review report  
for the three month period ended March 31, 2015  
(Unaudited)**



*For the three month period ended 31 March 2015*

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

**The Board of Directors of  
Independent Petroleum Group Company K.S.C.P.  
State of Kuwait**

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Independent Petroleum Group Company K.S.C.P. ("the Parent Company") and its subsidiaries (together the "Group") as at 31 March 2015, and the related 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*

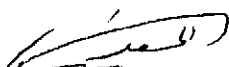
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 2015, of the Companies Law No. 25 of 2012, as amended and its Executive Regulations, 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.



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



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

**Kuwait: 30 April 2015**



Condensed consolidated statement of income (unaudited)  
for the three month period ended 31 March 2015

	Notes	Three month period ended 31 March	
		2015 KD '000	2014 KD '000
Sales		124,191	279,065
Cost of sales		(123,979)	(277,707)
<b>Gross profit</b>		212	1,358
Net interest relating to oil marketing operations	3	(726)	(869)
<b>Net results of oil marketing operations</b>		(514)	489
Share of results of joint venture and associates	7 & 8	1,212	1,286
Dividend income	6	108	1,319
General and administrative expenses		(366)	(418)
Staff costs		(927)	(976)
Depreciation		(373)	(357)
<b>Operating (loss) / profit</b>		(860)	1,343
Unrealized gain from investments at fair value through statement of income		902	239
Net other income	9	690	14
<b>Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat</b>		732	1,596
Contribution to KFAS		(7)	(16)
NLST and Zakat		-	-
<b>Profit for the period</b>		725	1,580
<b>Earnings per share (fils)</b>	4	5.01	10.92

The accompanying notes 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 2015*

	Three month period ended	
	31 March	
	2015	2014
	KD '000	KD '000
Profit for the period	725	1,580
<b>Other comprehensive income :</b>		
<u>Items that may be reclassified subsequently to statement of income</u>		
Changes in fair value of investments available for sale	(18)	6
Foreign currency translation adjustments	1,279	332
<b>Other comprehensive income for the period</b>	<u>1,261</u>	<u>338</u>
<b>Total comprehensive income for the period</b>	<u>1,986</u>	<u>1,918</u>


The accompanying notes form an integral part of this condensed consolidated interim financial information.



Condensed consolidated statement of financial position (unaudited)  
as at 31 March 2015

	Notes	31 March 2015 KD '000	31 December 2014 KD '000 (Audited)	31 March 2014 KD '000
<b>ASSETS</b>				
Cash on hand and at banks	5	29,578	31,552	15,138
Investments at fair value through statement of income	6	51,767	49,592	46,520
Trade and other receivables		94,952	112,440	173,749
Inventories		28,171	24,255	28,065
<b>Total current assets</b>		<b>204,468</b>	<b>217,839</b>	<b>263,472</b>
Other loans		1,112	1,085	1,043
Investments available for sale	6	22,327	21,819	26,615
Investment in joint venture	7	4,460	4,439	3,923
Investment in associates	8	28,231	26,244	24,126
Property and equipment	10	23,312	21,994	17,925
<b>Total non-current assets</b>		<b>79,442</b>	<b>75,581</b>	<b>73,632</b>
<b>Total assets</b>		<b>283,910</b>	<b>293,420</b>	<b>337,104</b>
<b>LIABILITIES AND EQUITY</b>				
Due to banks		135,228	147,010	158,206
Directors' fees payable		-	80	-
Trade and other payables		63,117	59,108	89,545
Current portion of term loan		1,087	1,060	1,019
<b>Total current liabilities</b>		<b>199,432</b>	<b>207,258</b>	<b>248,770</b>
Non-current portion of term loan		6,266	6,376	6,896
Provision for staff indemnity		2,037	1,981	1,875
<b>Total non-current liabilities</b>		<b>8,303</b>	<b>8,357</b>	<b>8,771</b>
<b>Total liabilities</b>		<b>207,735</b>	<b>215,615</b>	<b>257,541</b>
<b>Equity</b>				
Share capital	11	15,225	15,225	15,225
Share premium		22,587	22,587	22,587
Legal reserve		7,613	7,613	7,613
General reserve		606	606	606
Fair value reserve		19,566	19,584	24,108
Foreign currency translation adjustments		188	(1,091)	(1,663)
Share of associates' hedging reserve		(30)	(30)	(101)
Treasury shares reserve		1,429	1,429	1,429
Treasury shares	12	(2,770)	(2,770)	(2,770)
Retained earnings		11,761	14,652	12,529
<b>Total equity</b>		<b>76,175</b>	<b>77,805</b>	<b>79,563</b>
<b>Total liabilities and equity</b>		<b>283,910</b>	<b>293,420</b>	<b>337,104</b>

The accompanying notes 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

Independent Petroleum Group Company K.S.C.P.  
and subsidiaries  
State of Kuwait



Condensed consolidated statement of changes in equity (unaudited)  
for the three month period ended 31 March 2015

	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 2015	15,225	22,587	7,613	606	19,584	(1,091)	(30)	1,429	(2,770)	14,652	77,805
Total comprehensive (loss) / income for the period	-	-	-	-	-	-	-	-	-	725	725
Profit for the period	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive (loss) / income	-	-	-	-	(18)	1,279	-	-	-	-	1,261
Total comprehensive (loss) / income for the period	-	-	-	-	(18)	1,279	-	-	-	725	1,986
Transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-
Dividends for 2014 (note 17)	-	-	-	-	-	-	-	-	-	(3,616)	(3,616)
Balance at 31 March 2015	15,225	22,587	7,613	606	19,566	188	(30)	1,429	(2,770)	11,761	76,175



Independent Petroleum Group Company K.S.C.P.  
and subsidiaries  
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Condensed consolidated statement of changes in equity (unaudited)  
for the three month period ended 31 March 2015

	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
<b>Total comprehensive income for the period</b>	-	-	-	-	6	332	-	-	-	1,580	1,580
Profit for the period	-	-	-	-	6	332	-	-	-	1,580	1,580
Total other comprehensive income	-	-	-	-	6	332	-	-	-	-	338
<b>Total comprehensive income for the period</b>	-	-	-	-	6	332	-	-	-	1,580	1,918
Transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	(4,339)	(4,339)
Dividends for 2013 (note 17)	-	-	-	-	-	-	-	-	-	(4,339)	(4,339)
<b>Balance at 31 March 2014</b>	<u>15,225</u>	<u>22,587</u>	<u>7,613</u>	<u>606</u>	<u>24,108</u>	<u>(1,663)</u>	<u>(101)</u>	<u>1,429</u>	<u>(2,770)</u>	<u>12,529</u>	<u>79,563</u>

The accompanying notes 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 2015

	Note	Three month period ended 31 March	
		2015 KD '000	2014 KD '000
<b>OPERATING ACTIVITIES</b>			
Profit before provisions for contribution to KFAS, NLST and Zakat		732	1,596
<i>Adjustments for:</i>			
Depreciation		373	357
Interest expense		768	877
Dividend income		(108)	(1,319)
Unrealised gain from investments at fair value through statement of income		(902)	(239)
Share of results from joint venture and associates		(1,212)	(1,286)
Interest income		(50)	(13)
Provision for staff indemnity		56	51
		(343)	24
<i>Changes in operating assets and liabilities:</i>			
Trade and other receivables		17,505	(55,135)
Inventories		(3,916)	16,531
Trade and other payables		4,147	2,064
<b>Cash generated from / (used in) operations</b>		<b>17,393</b>	<b>(36,516)</b>
Interest received		33	13
Payment to KFAS		(38)	(56)
Directors' fees paid		(80)	(80)
<b>Net cash generated from / (used in) operating activities</b>		<b>17,308</b>	<b>(36,639)</b>
<b>INVESTING ACTIVITIES</b>			
Dividends received		108	1,319
Decrease in other loans		-	131
Purchase of property and equipment		(1,170)	(31)
<b>Net cash (used in) / generated from investing activities</b>		<b>(1,062)</b>	<b>1,419</b>
<b>FINANCING ACTIVITIES</b>			
Due to banks		(11,782)	(5,102)
Term loans		(83)	(267)
Dividends paid		(3,616)	(4,339)
Interest paid		(875)	(906)
<b>Net cash used in financing activities</b>		<b>(16,356)</b>	<b>(10,614)</b>
Effect of foreign currency translation		(1,870)	489
<b>Net decrease in cash and cash equivalents</b>		<b>(1,980)</b>	<b>(45,345)</b>
Cash and cash equivalents at beginning of the period		31,331	60,271
<b>Cash and cash equivalents at end of the period</b>	5	<b>29,351</b>	<b>14,926</b>

The accompanying notes 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 2015**

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**1. Incorporation and activities**

Independent Petroleum Group Company K.S.C.P. ("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.

This condensed consolidated interim financial information for the three month period ended 31 March 2015 was authorized for issue by the Chairman on behalf of the Board of Directors on 30 April 2015.

**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 2014.

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 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2014.

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 2014.

Notes to the condensed consolidated interim financial information (unaudited)  
for the three month period ended 31 March 2015

3. Net interest relating to oil marketing operations

	Three month period ended 31 March	
	2015 KD '000	2014 KD '000
Interest income	42	8
Interest expense	(768)	(877)
	<u>(726)</u>	<u>(869)</u>

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	
	2015 KD '000	2014 KD '000
Profit for the period	<u>725</u>	<u>1,580</u>
	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	<u>(7,620,000)</u>	<u>(7,620,000)</u>
Weighted average number of shares outstanding during the period	<u>144,630,000</u>	<u>144,630,000</u>
Earnings per share (fils)	<u>5.01</u>	<u>10.92</u>

5. Cash on hand and at banks

	31 March 2015 KD '000	31 December 2014 KD '000 (Audited)	31 March 2014 KD '000
Cash on hand and at banks	15,782	14,394	5,293
Call accounts and time deposits	<u>13,569</u>	<u>16,937</u>	<u>9,633</u>
Cash and cash equivalents	29,351	31,331	14,926
Time deposits with maturity exceeding three months	227	221	212
	<u>29,578</u>	<u>31,552</u>	<u>15,138</u>

Notes to the condensed consolidated interim financial information (unaudited)  
for the three month period ended 31 March 2015

6. Investments

	31 March 2015 KD '000	31 December 2014 KD '000 (Audited)	31 March 2014 KD '000
<b>Investments at fair value through statement of income:</b>			
<b>Held for trading:</b>			
Managed portfolios	50,755	48,400	45,220
Securities	1,012	1,192	1,300
	<u>51,767</u>	<u>49,592</u>	<u>46,520</u>
<b>Investments available for sale:</b>			
Quoted securities	207	219	217
Unquoted securities	22,120	21,600	26,398
	<u>22,327</u>	<u>21,819</u>	<u>26,615</u>

Investments at fair value through statement of income with a carrying amount of KD 50,755 thousands (31 December 2014: KD 48,400 thousands and 31 March 2014: KD 45,220 thousands) are pledged as collateral against amounts due to banks.

The unquoted securities include an investment of 12.5% in Asia Petroleum Ltd. carried at cost of KD 1,137 thousands (31 December 2014: KD 1,137 thousands and 31 March 2014: KD 1,137 thousands).

During the period ended 31 March 2015, the Group received a dividend of KD Nil thousands (31 March 2014: KD 1,248) from Vopak Horizon Fujairah Limited (VHFL) and KD 108 thousands (31 March 2014: KD 71 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	
	2015 KD '000	2014 KD '000
Share of results from Uniterminals Ltd, Lebanon	(90)	145
	<u>(90)</u>	<u>145</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 2015 (2014: Three months period ended 31 March 2014).



Notes to the condensed consolidated interim financial information (unaudited)  
for the three month period ended 31 March 2015

8. Investment in associates

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

	Three month period ended 31 March	
	2015 KD '000	2014 KD '000
<i>Share of results from:</i>		
Horizon Singapore Terminals Private Ltd	415	464
Arab Tank Terminals L.L.C.	121	129
Inpetro SARL	226	191
Horizon Djibouti Holdings Ltd.	235	184
Horizon Tangiers Terminals SA.	305	173
	<u>1,302</u>	<u>1,141</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 2015. (2014: Three months period ended 31 March 2014).

9. Net other income

	Three month period ended 31 March	
	2015 KD '000	2014 KD '000
Net foreign exchange gain	682	9
Interest income related to project	8	5
	<u>690</u>	<u>14</u>

10. Property and equipment

Property and equipment at 31 March 2015 include KD 15,914 thousands (31 December 2014: KD 16,239 thousands and 31 March 2014: KD 16,538 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.

11. Share capital

The authorised, issued and fully paid share capital consists of 152,250,000 shares of 100 fils each (31 December 2014: 152,250,000 shares of 100 fils each and 31 March 2014: 152,250,000 shares of 100 fils each).



Notes to the condensed consolidated interim financial information (unaudited)  
for the three month period ended 31 March 2015

12. Treasury shares

	31 March 2015	31 December 2014	31 March 2014
Number of shares	7,620,000	7,620,000	7,620,000
Percentage of issued shares	5%	5%	5%
Market value (KD Million)	3.05	2.93	2.97
Cost (KD Million)	2.77	2.77	2.77

13. 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	
	2015 KD '000	2014 KD '000
<b>a) Revenues and expenses:</b>		
Sales	120,556	74,212
Storage expense	1,357	1,473
<b>b) Key management compensation</b>		
Salaries and other short-term benefits	162	162
Termination benefits	15	15

c) Due from / to related parties:

	31 March 2015 KD '000	31 December 2014 KD '000 (Audited)	31 March 2014 KD '000
<i>Due from related parties</i>			
Trade and other receivables	10,495	4,884	16,880
Other loans	1,112	1,085	1,043
<i>Due to related parties</i>			
Trade and other payables	1,011	646	396

Notes to the condensed consolidated interim financial information (unaudited)  
for the three month period ended 31 March 2015

14. 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			
	2015		2014	
	Segment revenues KD '000	Segment results KD '000	Segment revenues KD '000	Segment results KD '000
Africa and Middle East	115,395	237	279,065	2,558
Asia and Far East	8,796	569	-	536
	<u>124,191</u>	<u>806</u>	<u>279,065</u>	<u>3,094</u>
Unallocated corporate items		(1,666)		(1,751)
Operating (loss) / profit		<u>(860)</u>		<u>1,343</u>

15. Contingent liabilities and commitments

Contingent liabilities

	31 March 2015 KD '000	31 December 2014 KD '000 (Audited)	31 March 2014 KD '000
Letters of guarantee and bid bonds	1,831	2,571	930
Letters of credit	57,105	61,023	82,992
	<u>58,936</u>	<u>63,594</u>	<u>83,922</u>
<b>Commitments</b>			
Investments in projects	<u>8,200</u>	<u>8,200</u>	<u>10,000</u>





**Notes to the condensed consolidated interim financial information (unaudited)**  
*for the three month period ended 31 March 2015*

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**16. Fair value estimation**

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

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

The fair value of managed portfolios under investments at fair value through statement of income amounting to KD 50,755 thousands (31 December 2014: KD 48,400 thousands and 31 March 2014: KD 45,220 thousands) and quoted securities under available-for-sale investments amounting to KD 207 thousands (31 December 2014: KD 219 thousands and 31 March 2014: KD 217 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 2015, there were no transfers between different levels of fair value measurement.

**17. Annual general assembly**

The Shareholders' Annual General Assembly held on 10 March 2015 approved the annual audited consolidated financial statements for the year ended 31 December 2014 and payment of a cash dividend of 25 fils per share for the year ended 31 December 2014.

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.

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