

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



**Interim condensed consolidated financial information and
independent auditor's review report
for the three month period ended 31 March 2020
(Unaudited)**



*Interim condensed consolidated financial information and
Independent auditor's report on review of Interim condensed consolidated financial information
for the three month period ended 31 March 2020*

| Index | Page |
|--|-------------|
| Independent auditor's report on review of Interim condensed consolidated financial information | 1 |
| Interim Condensed consolidated statement of income (unaudited) | 2 |
| Interim Condensed consolidated statement of comprehensive income (unaudited) | 3 |
| Interim Condensed consolidated statement of financial position (unaudited) | 4 |
| Interim Condensed consolidated statement of changes in equity (unaudited) | 5 – 6 |
| Interim Condensed consolidated statement of cash flows (unaudited) | 7 |
| Notes to the interim condensed consolidated financial information (unaudited) | 8 - 19 |

RSM Albazie & Co.

Arraya Tower 2, Floors 41 & 42
Abdulaziz Hamad Alsaqar St., Sharq
P.O. Box 2115, Safat 13022, State of Kuwait

T +965 22961000
F +965 22412761

www.rsm.global/kuwait

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors
Independent Petroleum Group Company - K.S.C. P
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Independent Petroleum Group Company - K.S.C. P (“the Parent Company”) and its subsidiaries (collectively “the Group”) as at 31 March, 2020 and the related interim condensed consolidated statements of income and other comprehensive income, changes in equity and cash flows for the three months then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated 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 condensed consolidated 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 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 for 2016, its Executive Regulation, as amended or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the three months period ended 31 March 2020 that might have had a material effect on the Group’s financial position or results of its operations.

State of Kuwait
12 August, 2020



Dr. Shuaib A. Shuaib
Licence No. 33 - A
RSM Albazie & Co.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



Interim condensed consolidated statement of income (unaudited)
for the three month period ended 31 March 2020

| | Notes | Three month period ended 31 March | |
|---|--------|--------------------------------------|-----------------|
| | | 2020 KD '000 | 2019 KD '000 |
| Sales | 15 | 157,510 | 166,604 |
| Cost of sales | | (147,086) | (163,553) |
| Gross profit | | 10,424 | 3,051 |
| Net interest relating to oil marketing operations | 3 | (944) | (1,242) |
| Net results of oil marketing operations | | 9,480 | 1,809 |
| Share of results of joint venture and associates | 9 & 10 | 1,409 | 1,389 |
| Dividend income | 8 | 845 | - |
| General and administrative expenses | | (437) | (351) |
| Staff costs | | (1,425) | (1,298) |
| Depreciation | | (416) | (504) |
| Provision | 5 | - | (1,557) |
| Unrealized (loss) /gain from investments at fair value through statement of income | 8 | (6,296) | 3,041 |
| Net other income/ (expenses) | 4 | 40 | (92) |
| Profit for the period before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat | | 3,200 | 2,437 |
| Contribution to KFAS | | (32) | (24) |
| Contribution to NLST | | (80) | (61) |
| Profit for the period | | <u>3,088</u> | <u>2,352</u> |
| Earnings per share (fils) | 6 | <u>17.08</u> | <u>13.01</u> |

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



Interim condensed consolidated statement of comprehensive income (unaudited)
for the three month period ended 31 March 2020

| | Three month period ended | |
|---|---------------------------------|---------------------|
| | 31 March | |
| | 2020 | 2019 |
| | KD '000 | KD '000 |
| Profit for the period | <u>3,088</u> | <u>2,352</u> |
| Other comprehensive income : | | |
| <u>Items that will not be reclassified subsequently to statement of income</u> | | |
| Changes in fair value of investments at fair value through other comprehensive income | 391 | 33 |
| <u>Items that may be reclassified subsequently to statement of income</u> | | |
| Foreign currency translation adjustments | <u>458</u> | <u>183</u> |
| Other comprehensive income for the period | <u>849</u> | <u>216</u> |
| Total comprehensive income for the period | <u><u>3,937</u></u> | <u><u>2,568</u></u> |


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




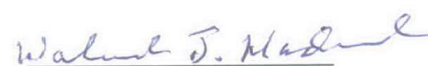
Interim condensed consolidated statement of financial position (unaudited)
as at 31 March 2020

| | Notes | 31 March 2020 KD '000 | 31 December 2019 KD '000 (Audited) | 31 March 2019 KD '000 |
|--|--------|-----------------------------|---|-----------------------------|
| ASSETS | | | | |
| Cash on hand and at banks | 7 | 50,983 | 21,545 | 65,734 |
| Trade and other receivables | | 141,507 | 87,443 | 85,966 |
| Inventories | | 10,615 | 22,234 | 31,447 |
| Investments at fair value through statement of income | 8 | 55,382 | 60,639 | 57,508 |
| Investments at fair value through other comprehensive income | 8 | 2,182 | 2,185 | 2,478 |
| Current portion of other loans | | 6,750 | 6,629 | - |
| Total current assets | | <u>267,419</u> | <u>200,675</u> | <u>243,133</u> |
| Investments at fair value through other comprehensive income | 8 | 27,187 | 26,732 | 24,261 |
| Investment in joint venture | 9 | 4,110 | 3,788 | 5,222 |
| Investment in associates | 10 | 30,146 | 28,456 | 30,043 |
| Property and equipment | 5 & 11 | 30,183 | 30,076 | 31,806 |
| Other loans | | 4,866 | 4,779 | 713 |
| Right to use asset | | 3,375 | 4,225 | 6,993 |
| Total non-current assets | | <u>99,867</u> | <u>98,056</u> | <u>99,038</u> |
| Total assets | | <u>367,286</u> | <u>298,731</u> | <u>342,171</u> |
| LIABILITIES AND EQUITY | | | | |
| Due to banks | 8 | 157,328 | 110,124 | 130,298 |
| Trade and other payables | | 94,256 | 70,474 | 96,021 |
| Current portion of term loans | 11 | 1,644 | 1,595 | 1,639 |
| Current portion of lease liability | | 3,210 | 3,699 | - |
| Directors' fees payable | | 80 | 80 | - |
| Total current liabilities | | <u>256,518</u> | <u>185,972</u> | <u>227,958</u> |
| Non-current portion of term loan | 11 | 12,181 | 12,386 | 13,728 |
| Non-current portion of lease liability | | 246 | 610 | 7,027 |
| Provision for staff indemnity | | 1,669 | 1,604 | 1,412 |
| Total non-current liabilities | | <u>14,096</u> | <u>14,600</u> | <u>22,167</u> |
| Total liabilities | | <u>270,614</u> | <u>200,572</u> | <u>250,125</u> |
| Equity | | | | |
| Share capital | 12 | 18,841 | 18,841 | 18,841 |
| Share premium | | 29,665 | 29,665 | 29,665 |
| Legal reserve | | 9,420 | 9,420 | 8,912 |
| General reserve | | 606 | 606 | 606 |
| Fair value reserve | | 24,879 | 24,488 | 22,291 |
| Foreign currency translation adjustments | | (2,008) | (2,466) | (2,098) |
| Treasury shares reserve | | 1,429 | 1,429 | 1,429 |
| Treasury shares | 13 | (2,770) | (2,770) | (2,770) |
| Retained earnings | | 16,610 | 18,946 | 15,170 |
| Total equity | | <u>96,672</u> | <u>98,159</u> | <u>92,046</u> |
| Total liabilities and equity | | <u>367,286</u> | <u>298,731</u> | <u>342,171</u> |

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


Ali Mohammed Al-Radwan
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



Interim condensed consolidated statement of changes in equity (unaudited)
for the three month period ended 31 March 2020

| | Share capital | Share premium | Legal reserve | General reserve | Fair value reserve | Foreign currency translation adjustments | Treasury shares reserve | Treasury shares | Retained earnings | Total |
|---|---------------|---------------|---------------|-----------------|--------------------|--|-------------------------|-----------------|-------------------|---------------|
| | KD '000 | KD '000 | KD '000 | KD '000 | KD '000 | KD '000 | KD '000 | KD '000 | KD '000 | KD '000 |
| Balance at 1 January 2020 | 18,841 | 29,665 | 9,420 | 606 | 24,488 | (2,466) | 1,429 | (2,770) | 18,946 | 98,159 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | - | 3,088 | 3,088 |
| Profit for the period | - | - | - | - | - | - | - | - | 3,088 | 3,088 |
| Total other comprehensive income | - | - | - | - | 391 | 458 | - | - | - | 849 |
| Total comprehensive income for the period | - | - | - | - | 391 | 458 | - | - | 3,088 | 3,937 |
| Transactions with owners, recognised directly in equity | - | - | - | - | - | - | - | - | (5,424) | (5,424) |
| Dividends for 2019 (Note 18) | - | - | - | - | - | - | - | - | 16,610 | 16,610 |
| Balance at 31 March 2020 | 18,841 | 29,665 | 9,420 | 606 | 24,879 | (2,008) | 1,429 | (2,770) | 16,610 | 96,672 |

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

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



Interim condensed consolidated statement of changes in equity (unaudited)
for the three month period ended 31 March 2020

| | Share capital KD '000 | Share premium KD '000 | Legal reserve KD '000 | General reserve KD '000 | Fair value reserve KD '000 | Foreign currency translation adjustments KD '000 | Treasury shares reserve KD '000 | Treasury shares KD '000 | Retained earnings KD '000 | Total KD '000 |
|---|--------------------------|--------------------------|--------------------------|----------------------------|-------------------------------|---|------------------------------------|----------------------------|------------------------------|------------------|
| Balance at 1 January 2019 | 18,841 | 29,665 | 8,912 | 606 | 22,258 | (2,281) | 1,429 | (2,770) | 18,242 | 94,902 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | - | 2,352 | 2,352 |
| Profit for the period | - | - | - | - | - | - | - | - | 2,352 | 2,352 |
| Total other comprehensive income | - | - | - | - | 33 | 183 | - | - | - | 216 |
| Total comprehensive income for the period | - | - | - | - | 33 | 183 | - | - | 2,352 | 2,568 |
| Transactions with owners, recognised directly in equity | - | - | - | - | - | - | - | - | (5,424) | (5,424) |
| Dividends for 2018 (Note 18) | - | - | - | - | - | - | - | - | 15,170 | 15,170 |
| Balance at 31 March 2019 | 18,841 | 29,665 | 8,912 | 606 | 22,291 | (2,098) | 1,429 | (2,770) | 15,170 | 92,046 |

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



Interim Condensed consolidated statement of cash flows (unaudited)
for the three month period ended 31 March 2020

| | Notes | 2020 KD '000 | 2019 KD '000 |
|---|--------|-----------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Profit before provisions for contribution to KFAS, NLST and Zakat | | 3,200 | 2,437 |
| <i>Adjustments for:</i> | | | |
| Depreciation | | 416 | 504 |
| Provision | 5 | - | 1,557 |
| Interest expense | | 1,231 | 1,506 |
| Dividend income | 8 | (845) | - |
| Unrealised loss / (gain) from investments at fair value through statement of income | | 6,296 | (3,041) |
| Share of results from joint venture and associates | 9 & 10 | (1,409) | (1,389) |
| Interest income | | (287) | (264) |
| Interest on lease liability | | 36 | 76 |
| Amortisation of rights of use | | 850 | 915 |
| Provision for staff indemnity | | 65 | 58 |
| | | <u>9,553</u> | <u>2,359</u> |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Trade and other receivables | | (53,887) | (8,041) |
| Inventories | | 11,619 | 4,853 |
| Lease liability | | (889) | (880) |
| Other loans | | (208) | - |
| Trade and other payables | | <u>23,485</u> | <u>22,825</u> |
| Cash (used in) / generated from operations | | <u>(10,327)</u> | <u>21,116</u> |
| Interest received | | 110 | 264 |
| Payment to KFAS | | - | (65) |
| Directors' fees paid | | - | (80) |
| Net cash (used in) / generated from operating activities | | <u>(10,217)</u> | <u>21,235</u> |
| INVESTING ACTIVITIES | | | |
| Proceeds from loan to associate | | - | 1,337 |
| Dividends received | | 845 | - |
| Purchase of property and equipment | | (6) | (31) |
| Net cash generated from investing activities | | <u>839</u> | <u>1,306</u> |
| FINANCING ACTIVITIES | | | |
| Due to banks | | 47,204 | (14,802) |
| Term loans | | (156) | (332) |
| Dividends paid | 18 | (5,424) | (5,424) |
| Interest paid | | (1,046) | (1,637) |
| Net cash generated from / (used in) financing activities | | <u>40,578</u> | <u>(22,195)</u> |
| Effect of foreign currency translation | | (1,762) | (673) |
| Net increase / (decrease) in cash on hand and at banks | | <u>29,438</u> | <u>(327)</u> |
| Cash on hand and at banks at beginning of the period | | <u>21,545</u> | <u>66,061</u> |
| Cash on hand and at banks at the end of the period | 7 | <u>50,983</u> | <u>65,734</u> |

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



**Notes to the Interim condensed consolidated financial information (unaudited)
for the three month period ended 31 March 2020**

1. Incorporation and activities

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

The objectives of the Parent Company and its wholly owned subsidiaries (the "Group") are as follows:

Benefit from national scientific and business expertise in petroleum and petrochemical industry to achieve the following objectives:

- a) Provide economic, technical and specialist advisory services to oil and petrochemicals producing and consuming governments and companies, in areas of marketing, refining, production, investment, financial affairs, planning, maritime transport, organization, training and other areas related to oil and petrochemicals;
- b) Conduct marketing researches, and gather and publish information about the oil and petrochemicals industry;
- c) Provide specialist services to the oil and petrochemicals consuming and producing governments to expedite communications and maintain consistent relationships among them;
- d) Initiate and carry out marketing operations and industrial projects for its own account or the account of oil and petrochemicals consuming and producing governments or in collaboration and participation with them in all areas of oil and petrochemical industry;
- e) Acquire facilities, tools, equipment and all other instruments used in oil and petrochemicals industry including manufacturing plants, transport means and others, for its own account or in participation with oil and petrochemicals producing and consuming governments and companies all over the world; and
- f) Act as agents and representatives for oil and petrochemicals producing and consuming governments and companies, and carry out all other operations required by company's activities, interests and objectives including sale, purchase and acquisition in all areas related to oil and petrochemicals.

The Parent Company may have interest or to participate in any manner with entities that carry on similar business or that may assist it with achieving its objectives in the State of Kuwait or abroad, and it may buy these entities or acquire them as subsidiaries.

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

The interim condensed consolidated financial information for the three month ended 31 March 2020 was authorized for issue by the Chairman on behalf of the Board of Directors on 12 August 2020.



2. Basis of preparation

a) Statement of compliance

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

The interim condensed consolidated financial information does not include all the information and notes required for complete annual consolidated financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of the management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the accompanying interim condensed consolidated financial information. Operating results for the three month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020. For further information, refer to the annual consolidated financial statements and notes thereto for the year ended 31 December 2019.

The accounting policies used in the preparation of the interim condensed consolidated 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 2019, except for the adoption of new standards effective as of 1 January 2020.

Changes in accounting policies

The following revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in the interim condensed consolidated financial information. Their adoption has not had any material impact on the disclosures or on the amounts reported in the interim condensed consolidated financial information.

Amendment to IFRS 3: Definition of a Business

The amendment in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.



Notes to the Interim condensed consolidated financial information (unaudited)
for the three month period ended 31 March 2020

This amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

This amendment is not expected to have a material impact on the Group's interim condensed consolidated financial information.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendment provides a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendment clarifies that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

This amendment had no impact on the interim condensed consolidated financial information of the Group, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The amendment had no impact on the interim condensed consolidated financial information of the Group.

Amendment to IFRS 16 "leases" – COVID-19-Related Rent Concessions

COVID-19-Related Rent Concessions, issued in May 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorized for issue at 28 May 2020.

A lessee shall apply COVID-19-Related Rent Concessions retrospectively, recognizing the cumulative effect of initially applying that amendment as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

This amendment is not expected to have a material impact on the Group's interim condensed consolidated financial information.



Notes to the Interim condensed consolidated financial information (unaudited)
for the three month period ended 31 March 2020

Other than the above, several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

New and revised IFRSs in issue but not yet effective and not early adopted:

At the date of authorization of this interim condensed consolidated financial information, there are several amendments on IFRS in issue but not yet effective and not early adopted by the Group. The Group anticipates that these new standards, interpretations and amendments will be adopted in the Group's interim condensed consolidated financial information as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the interim condensed consolidated financial information.

b) Judgments and estimates

The preparation of the interim condensed consolidated 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 interim condensed consolidated 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 consolidated financial statements for the year ended 31 December 2019, with the exception of the impact of the COVID-19 outbreak on the Group (Note 19)

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

| | Three month period ended 31 March | |
|------------------|--------------------------------------|-----------------|
| | 2020 KD '000 | 2019 KD '000 |
| Interest income | 287 | 264 |
| Interest expense | (1,231) | (1,506) |
| | <u>(944)</u> | <u>(1,242)</u> |

4. **Net other income / (expenses)**

| | Three month period ended 31 March | |
|------------------------------------|--------------------------------------|-----------------|
| | 2020 KD '000 | 2019 KD '000 |
| Net foreign exchange gain / (loss) | <u>40</u> | <u>(92)</u> |



Notes to the Interim condensed consolidated financial information (unaudited)
for the three month period ended 31 March 2020

5. Provision

| | Three-month period ended 31 March | |
|-----------------------|--------------------------------------|-----------------|
| | 2020 KD '000 | 2019 KD '000 |
| Impairment of vessels | - | (1,557) |
| | <u>-</u> | <u>(1,557)</u> |

- a) The provision of Nil (31 March 2019: KD 1.56 million) represents provision for impairment of the vessels owned by D&K Holdings L.L.C, a wholly owned subsidiary of the Parent Company.

6. 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 | |
|--|--------------------------------------|--------------------|
| | 2020 KD '000 | 2019 KD '000 |
| Profit for the period | <u>3,088</u> | <u>2,352</u> |
| Weighted average number of issued shares outstanding during the period | 188,407,500 | 188,407,500 |
| 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>180,787,500</u> | <u>180,787,500</u> |
| Earnings per share (fils) | <u>17.08</u> | <u>13.01</u> |

7. Cash on hand and at banks

| | 31 March 2020 KD '000 | 31 December 2019 KD '000 (Audited) | 31 March 2019 KD '000 |
|---------------------------------|-----------------------------|---|-----------------------------|
| Cash on hand and at banks | 24,849 | 8,012 | 31,693 |
| Call accounts and time deposits | <u>26,134</u> | <u>13,533</u> | <u>34,041</u> |
| | <u>50,983</u> | <u>21,545</u> | <u>65,734</u> |



Notes to the Interim condensed consolidated financial information (unaudited)
for the three month period ended 31 March 2020

8. Investments

| | 31 March 2020 KD '000 | 31 December 2019 KD '000 (Audited) | 31 March 2019 KD '000 |
|---|-----------------------------|---|-----------------------------|
| Investments at fair value through statement of income | | | |
| Managed portfolios | 55,382 | 60,639 | 57,283 |
| Quoted securities | - | - | 225 |
| | <u>55,382</u> | <u>60,639</u> | <u>57,508</u> |
| | | | |
| | 31 March 2020 KD '000 | 31 December 2019 KD '000 (Audited) | 31 March 2019 KD '000 |
| Investments at fair value through other comprehensive income | | | |
| Unquoted securities (Non – Current) | 27,187 | 26,732 | 24,261 |
| Unquoted securities (Current) | 2,182 | 2,185 | 2,478 |
| | <u>29,369</u> | <u>28,917</u> | <u>26,739</u> |

Investments at fair value through statement of income with a carrying amount of KD 55.38 million (31 December 2019: KD 60.64 million and 31 March 2019: KD 57.28 million) are pledged as collateral against amounts due to banks.

Unquoted securities includes Group's investment in Vopak Horizon Fujairah Limited (VHFL) and Asia Petroleum Limited (APL) amounted to KD 25.45 million and KD 1.74 million respectively. At the reporting date, the Group determined that carrying value of above unquoted securities approximates to their fair value.

During the period ended 31 March 2020, the Group received a dividend of KD 845 thousands (31 March 2019: Nil) from VHFL.

9. 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 | |
|---------------------------|--------------------------------------|-----------------|
| | 2020 KD '000 | 2019 KD '000 |
| Uniterminals Ltd, Lebanon | <u>249</u> | <u>214</u> |



**Notes to the Interim condensed consolidated financial information (unaudited)
for the three month period ended 31 March 2020**

10. Investment in associates

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

| | Three month period ended 31 March | |
|---|--|-------------------------|
| | 2020 KD '000 | 2019 KD '000 |
| Horizon Singapore Terminals Private Ltd | 322 | 285 |
| Arab Tank Terminals L.L.C. | (30) | (66) |
| Inpetro SARL | 283 | 337 |
| Horizon Djibouti Holdings Ltd. | 282 | 357 |
| Horizon Tangiers Terminals SA. | 303 | 262 |
| | 1,160 | 1,175 |

11. Property and equipment

Property and equipment at 31 March 2020 includes KD 29.01 million (31 December 2019: KD 29.02 million and 31 March 2019: KD 30.23 million) related to ships owned by one of the subsidiaries, D&K Holdings L.L.C (Note 5). Term loan fully relates to the financing of these vessels which are mortgaged against the term loan.

12. Share capital

The authorized, issued and fully paid share capital consists of 188,407,500 shares of 100 fils each (31 December 2019: 188,407,500 shares of 100 fils each and 31 March 2019: 188,407,500 shares of 100 fils each).

13. Treasury shares

| | 31 March 2020 | 31 December 2019 (Audited) | 31 March 2019 |
|-----------------------------|--------------------------|---|--------------------------|
| Number of shares | 7,620,000 | 7,620,000 | 7,620,000 |
| Percentage of issued shares | 4% | 4% | 4% |
| Market value (KD Million) | 2.93 | 3.67 | 2.98 |
| Cost (KD Million) | 2.77 | 2.77 | 2.77 |

The Parent Company has allocated an amount equal to the treasury shares balance from the available retained earnings as of 31 December 2019. Such amount will not be available for distribution during treasury shares holding period. Treasury shares are not pledged.

14. 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 interim condensed consolidated financial information are as follows:



Notes to the Interim condensed consolidated financial information (unaudited)
for the three month period ended 31 March 2020

| | Three month period ended | | |
|--|--------------------------|--------------------|-----------------|
| | 31 March | | |
| | 2020 | 2019 | |
| | KD '000 | KD '000 | |
| a) Revenues and expenses: | | | |
| Sales: - | | | |
| Joint venture | 20,773 | 43,938 | |
| Storage: - | | | |
| Expense Associate | 1,327 | 1,232 | |
| b) Key management compensation | | | |
| Salaries and other short-term benefits | 244 | 239 | |
| Termination benefits | 22 | 20 | |
| | 31 March | 31 December | 31 March |
| | 2020 | 2019 | 2019 |
| | KD '000 | KD '000 | KD '000 |
| c) Due from / to related parties: | | (Audited) | |
| <i>Due from related parties</i> | | | |
| Trade and other receivables | 10,456 | 3,444 | 11,806 |
| Other loans | 4,866 | 4,779 | 713 |
| <i>Due to related parties</i> | | | |
| Trade and other payables | 557 | 134 | 813 |

15. 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 | | | |
|-----------------------------|-----------------------------------|-----------------|------------------|-----------------|
| | 2020 | | 2019 | |
| | Segment revenues | Segment results | Segment revenues | Segment results |
| | KD '000 | KD '000 | KD '000 | KD '000 |
| Africa and Middle East | 157,510 | 11,412 | 166,604 | 2,913 |
| Asia and Far East | - | 322 | - | 285 |
| | <u>157,510</u> | <u>11,734</u> | <u>166,604</u> | <u>3,198</u> |
| Unallocated corporate items | | (8,646) | | (846) |
| Profit for the period | | <u>3,088</u> | | <u>2,352</u> |



Notes to the Interim condensed consolidated financial information (unaudited)
for the three month period ended 31 March 2020

| | Africa and Middle East KD '000 | Europe KD '000 | Asia and Far east KD '000 | Total KD '000 |
|-----------------------------------|---|-------------------|------------------------------------|------------------|
| 31 March 2020 | | | | |
| Segment assets | 132,206 | - | 9,301 | 141,507 |
| Unallocated corporate assets | - | - | - | 225,779 |
| Total assets | <u>132,206</u> | <u>-</u> | <u>9,301</u> | <u>367,286</u> |
| Segment liabilities | 16,709 | 26,977 | 576 | 44,262 |
| Unallocated corporate liabilities | - | - | - | 226,352 |
| Total liabilities | <u>16,709</u> | <u>26,977</u> | <u>576</u> | <u>270,614</u> |
| 31 December 2019 | KD '000 | KD '000 | KD '000 | KD '000 |
| Segment assets | 78,309 | - | 9,134 | 87,443 |
| Unallocated corporate assets | - | - | - | 211,288 |
| Total assets | <u>78,309</u> | <u>-</u> | <u>9,134</u> | <u>298,731</u> |
| Segment liabilities | 13,173 | 23,723 | - | 36,896 |
| Unallocated corporate liabilities | - | - | - | 163,676 |
| Total liabilities | <u>13,173</u> | <u>23,723</u> | <u>-</u> | <u>200,572</u> |
| 31 March 2019 | KD '000 | KD '000 | KD '000 | KD '000 |
| Segment assets | 76,780 | - | 9,186 | 85,966 |
| Unallocated corporate assets | - | - | - | 256,205 |
| Total assets | <u>76,780</u> | <u>-</u> | <u>9,186</u> | <u>342,171</u> |
| Segment liabilities | 24,670 | 31,452 | 6,408 | 62,530 |
| Unallocated corporate liabilities | - | - | - | 187,595 |
| Total liabilities | <u>24,670</u> | <u>31,452</u> | <u>6,408</u> | <u>250,125</u> |

16. Contingent liabilities and commitments

| | 31 March 2020 KD '000 | 31 December 2019 KD '000 (Audited) | 31 March 2019 KD '000 |
|------------------------------------|-----------------------------|---|-----------------------------|
| Letters of guarantee and bid bonds | 3,152 | 738 | 2,712 |
| Letters of credit | 64,398 | 61,377 | 95,286 |
| | <u>67,550</u> | <u>62,115</u> | <u>97,998</u> |
| Commitments | | | |
| Investments in projects | <u>17,414</u> | <u>21,058</u> | <u>9,004</u> |



Notes to the Interim condensed consolidated financial information (unaudited)
for the three month period ended 31 March 2020

17. Fair value estimation

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

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

| | Fair value hierarchy | | | |
|--|-----------------------------|---------------------------|---------------------------|-------------------------|
| | Level 1 KD'000 | Level 2 KD'000 | Level 3 KD'000 | Total KD'000 |
| 31 March 2020 | | | | |
| Investments at fair value through other comprehensive income | - | 2,182 | 27,187 | 29,369 |
| Investments at fair value through statement of income | 55,382 | - | - | 55,382 |
| | <u>55,382</u> | <u>2,182</u> | <u>27,187</u> | <u>84,751</u> |
| 31 December 2019 | | | | |
| Investments at fair value through other comprehensive income | - | 2,185 | 26,732 | 28,917 |
| Investments at fair value through statement of income | 60,639 | - | - | 60,639 |
| | <u>60,639</u> | <u>2,185</u> | <u>26,732</u> | <u>89,556</u> |
| 31 March 2019 | | | | |
| Investments at fair value through other comprehensive income | - | 2,478 | 24,261 | 26,739 |
| Investments at fair value through statement of income | 57,508 | - | - | 57,508 |
| | <u>57,508</u> | <u>2,478</u> | <u>24,261</u> | <u>84,247</u> |

During the period, there were no transfers among the fair value levels.

18 Annual General Assembly

The Shareholders' Annual General Assembly held on 26 March 2020 approved the annual audited consolidated financial statements for the year ended 31 December 2019 and payment of a cash dividend of 30 fils per share for the year ended 31 December 2019.

The Shareholders' Annual General Assembly held on 20 February 2019 approved the annual audited consolidated financial statements for the year ended 31 December 2018 and payment of a cash dividend of 30 fils per share for the year ended 31 December 2018.



19 Impact of COVID – 19

COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the interim condensed consolidated financial information. The Group's business operations are affected as a result of significant weaker oil prices and a general decline in demand owing to slowdown in GDP growth and industrial activity. These adverse conditions directly translated into declining commodity prices and caused product prices to fall.

Given below are the key assumptions, judgements and key sources of estimation considered by the management for the period ended 31 March 2020.

Impairment of property and equipment

The Group's management tested its property and equipment for impairment as at the reporting date due to indicators of impairments existing at that date.

Impairment testing is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections discounted at an appropriate rate. For the purpose of the impairment testing, assets are grouped together into CGU. In calculating value in use, certain assumptions are required to be made in respect of highly uncertain matters including the estimated future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU.

The Group prepares detailed long term plans for its property and equipment which are reflected in the financial models. These plans have been reviewed and approved by the management of the Group and has been subsequently used as the basis for its impairment reviews. In estimating the value in use, the Group uses financial models which are regularly reviewed and updated over the operating period of the assets. As part of the review process, management challenged and reassessed the validity of the underlying assumptions of these financial models and have concluded that there is no impact due to Covid – 19 (Note 5)

Expected Credit Losses ("ECL") and impairment of financial assets

The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 March 2020. The Group has updated the relevant forward-looking information of its operations with respect to; the weightings of the relevant macroeconomic scenarios of the respective market in which it operates; significant increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors. As a result, the Group determined that it has adequate provision on impacted assets for the period ended 31 March, 2020.

Impairment of investments in joint venture, associates and other assets

The Group's management reviews periodically its investment in joint venture and associates to assess whether indicators exist that the investment is impaired.



Notes to the Interim condensed consolidated financial information (unaudited)
for the three month period ended 31 March 2020

The Group has performed a qualitative assessment for its investments in joint ventures and associates and compared the actual results for the period ended 31 March 2020 against the budget and industry benchmarks and concluded that the impairment assessment remains unchanged.

The Group has also considered any impairment indicators and any significant uncertainties impacting its inventories and right-of-use assets especially arising from any change in lease terms and concluded that there is no material impact of COVID-19 (Note 8)

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections indicate that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these interim condensed consolidated financial information has been appropriately prepared on a going concern basis.

The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its' operations and financial performance in 2020.

Subsequent event

In addition to the above impact of Covid-19 for the quarter ended 31 March 2020, since the group operates in trading business in the forward market, market deterioration and default events including delay in payments and commencement of arbitration have significantly occurred during the quarter ended 30 June 2020. The management has assessed and has accounted for any additional impact in the interim condensed consolidated financial information for the quarter ended 30 June 2020.