

**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 six month period ended 30 June 2019
(Unaudited)**



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

for the six month period ended 30 June 2019

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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 30 June 2019 condensed consolidated interim financial information of Independent Petroleum Group Company K.S.C.P. ("the Parent Company") and its subsidiaries (together referred to as "the Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2019, the condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended, the condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and notes to the condensed consolidated interim financial information.

The Parent Company's management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with 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 30 June 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

Report on review of 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, to the best of our knowledge and belief, that nothing has come to our attention indicating any contravention during the six month period ended 30 June 2019, of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation 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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Member firm of KPMG International



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Kuwait: 24 July 2019



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

**Condensed consolidated statement of income (unaudited)
for the three month and six month period ended 30 June 2019**

	Notes	Three month period ended 30 June		Six month period ended 30 June	
		2019	2018	2019	2018
		KD '000	KD '000	KD '000	KD '000
Sales	15	183,975	224,614	350,579	386,317
Cost of sales		(177,123)	(220,810)	(340,676)	(378,599)
Gross profit		6,852	3,804	9,903	7,718
Net interest relating to oil marketing operations	3	(1,188)	(1,020)	(2,430)	(1,948)
Net results of oil marketing operations		5,664	2,784	7,473	5,770
Share of results of joint venture and associates	9 & 10	1,127	1,473	2,516	2,650
Dividend income	8	-	2	-	1,332
General and administrative expenses		(439)	(427)	(790)	(795)
Staff costs		(1,329)	(1,272)	(2,627)	(2,679)
Depreciation		(450)	(576)	(954)	(1,176)
Provisions	5	(3,000)	-	(4,557)	-
Unrealized gain / (loss) from investments at fair value through statement of income		1,243	76	4,284	(596)
Net other (expenses) / income	4	(232)	248	(324)	56
Profit for the period before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		2,584	2,308	5,021	4,562
Contribution to KFAS		(26)	(23)	(50)	(46)
NLST and Zakat		(65)	(58)	(126)	(114)
Profit for the period		2,493	2,227	4,845	4,402
Earnings per share (fils)	6	13.79	12.32	26.80	24.35

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



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

**Condensed consolidated statement of comprehensive income (unaudited)
for the three and six month period ended 30 June 2019**

	Three month period ended 30 June		Six month period ended 30 June	
	2019 KD '000	2018 KD '000	2019 KD '000	2018 KD '000
Profit for the period	2,493	2,227	4,845	4,402
Other comprehensive (loss) / 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	(47)	(586)	(14)	(548)
<u>Items that may be reclassified subsequently to statement of income</u>				
Foreign currency translation adjustments	(148)	631	34	(60)
Other comprehensive (loss) / income for the period	(195)	45	20	(608)
Total comprehensive income for the period	2,298	2,272	4,865	3,794

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



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

**Condensed consolidated statement of financial position (unaudited)
as at 30 June 2019**

	Notes	30 June 2019 KD '000	31 December 2018 KD '000 (Audited)	30 June 2018 KD '000
ASSETS				
Cash on hand and at banks	7	46,427	66,061	51,590
Trade and other receivables	5	106,583	77,925	96,700
Inventories		15,069	36,300	64,594
Investments at fair value through statement of income	8	58,311	54,201	56,372
Investments at fair value through other comprehensive income	8	2,501	2,534	2,286
Total current assets		228,891	237,021	271,542
Investments at fair value through other comprehensive income	8	24,180	24,157	27,274
Investment in joint venture	9	4,888	4,984	4,760
Investment in associates	10	30,153	30,060	30,577
Property and equipment	11&5	31,435	33,434	34,417
Other loans		711	710	709
Right to use of asset	2(a)	6,056	-	-
Total non-current assets		97,423	93,345	97,737
Total assets		326,314	330,366	369,279
LIABILITIES AND EQUITY				
Due to banks		152,201	145,100	121,859
Trade and other payables		57,319	73,231	133,364
Current portion of term loans		1,627	1,626	1,609
Directors' fees payable		-	80	-
Total current liabilities		211,147	220,037	256,832
Non-current portion of term loans		13,234	14,073	14,867
Provision for staff indemnity		1,474	1,354	1,361
Lease liabilities	2(a)	6,116	-	-
Total non-current liabilities		20,824	15,427	16,228
Total liabilities		231,971	235,464	273,060
Equity				
Share capital	12	18,841	18,841	18,841
Share premium		29,665	29,665	29,665
Legal reserve		8,912	8,912	8,267
General reserve		606	606	606
Fair value reserve		22,244	22,258	25,043
Foreign currency translation adjustments		(2,247)	(2,281)	(2,002)
Treasury shares reserve		1,429	1,429	1,429
Treasury shares	13	(2,770)	(2,770)	(2,770)
Retained earnings		17,663	18,242	17,140
Total equity		94,343	94,902	96,219
Total liabilities and equity		326,314	330,366	369,279

The accompanying notes form an integral part of this condensed consolidated interim 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**

**Condensed consolidated statement of changes in equity (unaudited)
for the six month period ended 30 June 2019**

	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 (loss) / income for the period	-	-	-	-	-	-	-	-	4,845	4,845
Profit for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive (loss) / income	-	-	-	-	(14)	34	-	-	-	20
Total comprehensive (loss) / income for the period	-	-	-	-	(14)	34	-	-	4,845	4,865
Transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	(5,424)	(5,424)
Dividends for 2018 (Note 18)	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2019	18,841	29,665	8,912	606	22,244	(2,247)	1,429	(2,770)	17,663	94,343



**Independent Petroleum Group Company K.S.C.P.
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**Condensed consolidated statement of changes in equity (unaudited)
for the six month period ended 30 June 2019**

	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 2018	18,841	29,665	8,267	606	24,854	(1,942)	1,429	(2,770)	17,457	96,407
Adjustment on initial application of IFRS 9 (Note 8)	-	-	-	-	737	-	-	-	705	1,442
Total comprehensive (loss) / income for the period	18,841	29,665	8,267	606	25,591	(1,942)	1,429	(2,770)	18,162	97,849
Profit for the period	-	-	-	-	-	-	-	-	4,402	4,402
Other comprehensive loss	-	-	-	-	(548)	(60)	-	-	-	(608)
Total comprehensive (loss) / income for the period	-	-	-	-	(548)	(60)	-	-	4,402	3,794
Transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	-	-
Dividends for 2017 (Note 18)	-	-	-	-	-	-	-	-	(5,424)	(5,424)
Balance at 30 June 2018	18,841	29,665	8,267	606	25,043	(2,002)	1,429	(2,770)	17,140	96,219

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



**Independent Petroleum Group Company K.S.C.P.
and subsidiaries
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**Condensed consolidated statement of cash flows (unaudited)
for the six month period ended 30 June 2019**

	Notes	2019 KD '000	2018 KD '000
OPERATING ACTIVITIES			
Profit before provisions for contribution to KFAS, NLST and Zakat		5,021	4,562
<i>Adjustments for:</i>			
Depreciation		954	1,176
Provision	5	4,557	-
Interest expense	3	3,032	2,448
Dividend income		-	(1,332)
Unrealised (gain) / loss from investments at fair value through statement of income		(4,284)	596
Share of results from joint venture and associates	9 & 10	(2,516)	(2,650)
Interest income	3	(602)	(511)
Provision for staff indemnity		126	274
		<u>6,288</u>	<u>4,563</u>
<i>Changes in operating assets and liabilities:</i>			
Trade and other receivables		(31,658)	(32,048)
Inventories		21,231	(31,287)
Trade and other payables		(15,555)	48,022
Cash used in operations		<u>(19,694)</u>	<u>(10,750)</u>
Interest received		602	500
Payment to KFAS		(65)	(65)
Payment of staff indemnity		(6)	(74)
Directors' fees paid		(80)	(80)
Net cash used in operating activities		<u>(19,243)</u>	<u>(10,469)</u>
INVESTING ACTIVITIES			
Dividends received		1,219	2,584
Proceeds of loans to associate		1,332	-
Purchase of property and equipment		(46)	(5)
Net cash generated from investing activities		<u>2,505</u>	<u>2,579</u>
FINANCING ACTIVITIES			
Due to banks		7,101	27,127
Repayment of term loans		(838)	(743)
Dividends paid	18	(5,424)	(5,424)
Interest paid		(3,440)	(2,516)
Net cash (used in) / generated from financing activities		<u>(2,601)</u>	<u>18,444</u>
Effect of foreign currency translation		(295)	(541)
Net change in cash and cash equivalents		<u>(19,634)</u>	<u>10,013</u>
Cash and cash equivalents at beginning of the period		66,061	41,577
Cash and cash equivalents at end of the period	7	<u>46,427</u>	<u>51,590</u>

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



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

**Notes to the condensed consolidated interim financial information (unaudited)
for the six month period ended 30 June 2019**

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 condensed consolidated interim financial information for the six month period ended 30 June 2019 was authorized for issue by the Chairman on behalf of the Board of Directors on 24 July 2019.



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

**Notes to the condensed consolidated interim financial information (unaudited)
for the six month period ended 30 June 2019**

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 condensed consolidated interim 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 condensed consolidated interim financial information. Operating results for the six month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. For further information, refer to the annual consolidated financial statements and notes thereto for the year ended 31 December 2018.

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 2018, except for the changes in accounting policies due to adoption of IFRS 16 as described below effective from 1 January 2019.

Changes in accounting policies

Adoption of IFRS 16 leases

The Group has initially adopted IFRS 16 – Leases from January 1, 2019.

IFRS 16 – Leases

On adoption of IFRS 16, the Group recognized "lease liabilities" and the associated "right-of-use asset" in relation to leases that were previously classified as operating lease under IAS 17 "Leases". The Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short term leases and leases of low-value assets. The right-of-use assets and lease liabilities recorded as at 1 January 2019 amounted to KD 7.9 million, with no impact on retained earnings.



**Independent Petroleum Group Company K.S.C.P.
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**Notes to the condensed consolidated interim financial information (unaudited)
for the six month period ended 30 June 2019**

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The carrying value of right-of-use assets and lease liabilities as at 30 June 2019 amounted to KD 6,056 thousand and KD 6,116 thousand respectively. Depreciation charge for right-of-use assets for the period amounting to KD 1,822 thousand and the interest expense on lease liabilities for the period amounting to KD 143 thousand are included in cost of sales in the condensed consolidated interim statement of income. There were no additions to right-of-use asset during the period.

The accounting policies of the Group upon adoption of IFRS 16 are as follows:

a) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.



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Notes to the condensed consolidated interim financial information (unaudited)
for the six month period ended 30 June 2019

c) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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 consolidated financial statements for the year ended 31 December 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16, which are described in Note 2(a).

3. Net interest relating to oil marketing operations

	Three month period ended 30 June		Six month period ended 30 June	
	2019 KD '000	2018 KD '000	2019 KD '000	2018 KD '000
Interest income	338	318	602	500
Interest expense	(1,526)	(1,338)	(3,032)	(2,448)
	<u>(1,188)</u>	<u>(1,020)</u>	<u>(2,430)</u>	<u>(1,948)</u>

4. Net other (expenses) / income

	Three month period ended 30 June		Six month period ended 30 June	
	2019 KD '000	2018 KD '000	2019 KD '000	2018 KD '000
Net foreign currency exchange (loss) / gain	(232)	248	(324)	56



**Independent Petroleum Group Company K.S.C.P.
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**Notes to the condensed consolidated interim financial information (unaudited)
for the six month period ended 30 June 2019**

5. Provisions

The provision of KD 1.55 million (30 June 2018: KD Nil) represents provision for impairment of one of the vessels owned by the D&K Holdings L.L.C, a wholly owned subsidiary of the Parent Company and provision of KD 3 million (30 June 2018: KD Nil) towards expected adverse market conditions consequent to the prevailing economic and political situation in the region.

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 30 June		Six month period ended 30 June	
	2019 KD '000	2018 KD '000	2019 KD '000	2018 KD '000
Profit for the period	2,493	2,227	4,845	4,402
Weighted average number of issued shares outstanding during the period	188,407,500	188,407,500	188,407,500	188,407,500
Weighted average number of treasury shares outstanding during the period	(7,620,000)	(7,620,000)	(7,620,000)	(7,620,000)
Weighted average number of shares outstanding during the period	180,787,500	180,787,500	180,787,500	180,787,500
Earnings per share (fils)	13.79	12.32	26.80	24.35

7. Cash on hand and at banks

	30 June 2019 KD '000	31 December 2018 KD '000 (Audited)	30 June 2018 KD '000
Cash on hand and at banks	17,673	14,156	32,154
Call accounts and time deposits	28,754	51,905	19,436
Cash and cash equivalents	46,427	66,061	51,590



**Independent Petroleum Group Company K.S.C.P.
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**Notes to the condensed consolidated interim financial information (unaudited)
for the six month period ended 30 June 2019**

8. Investments

	30 June 2019 KD '000	31 December 2018 KD '000 (Audited)	30 June 2018 KD '000
Investments at fair value through statement of income			
Managed portfolios	58,311	53,981	56,197
Quoted securities	-	220	175
	<u>58,311</u>	<u>54,201</u>	<u>56,372</u>
	30 June 2019 KD '000	31 December 2018 KD '000 (Audited)	30 June 2018 KD '000
Investments at fair value through other comprehensive income			
Unquoted securities (Non – current)	24,180	24,157	27,274
Unquoted securities (Current)	2,501	2,534	2,286
	<u>26,681</u>	<u>26,691</u>	<u>29,560</u>

Investments at fair value through statement of income with a carrying amount of KD 58.31 million (31 December 2018: KD 53.98 million and 30 June 2018: KD 56.19 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 22.48 million and KD 1.7 million respectively. At the reporting date, the Group determined that carrying value of above unquoted securities approximates to their fair value.

On the date of initial application of IFRS 9, the Group has fair valued its investment in APL, previously carried at cost under IAS 39, and consequently recognised a fair value gain of KD 705 thousand in the opening retained earnings as at 1 January 2018. The fair value was determined based on discounted cash flows using a rate based on the risk free rate of 2.79% and the risk premium of 12.6% specific to the investment.

Furthermore, on the date of initial application of IFRS 9, the Group reclassified its investment in Weinig International AG (Security) to investments at fair value through other comprehensive income. Under IAS 39, the above said investment was designated as fair value through statement of income. As a result, the Group recognised fair value gain of KD 737 thousand under fair value reserve on 1 January 2018

During the period ended 30 June 2019, the Group received a dividend of KD NIL million (30 June 2018: KD 1.33 million) from VHFL.



**Independent Petroleum Group Company K.S.C.P.
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**Notes to the condensed consolidated interim financial information (unaudited)
for the six month period ended 30 June 2019**

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 30 June		Six month period ended 30 June	
	2019	2018	2019	2018
	KD '000	KD '000	KD '000	KD '000
Uniterminals Ltd, Lebanon	235	346	449	486

10. Investment in associates

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

	Three month period ended 30 June		Six month period ended 30 June	
	2019	2018	2019	2018
	KD '000	KD '000	KD '000	KD '000
Horizon Singapore Terminals Private Ltd Arab Tank Terminals L.L.C.	200	335	485	691
Inpetro SARL	(60)	2	(126)	-
Horizon Djibouti Holdings Ltd.	111	102	448	159
Horizon Tangiers Terminals SA.	367	393	724	727
	274	295	536	587
	892	1,127	2,067	2,164

11. Property and equipment

Property and equipment at 30 June 2019 includes KD 29.72 million (31 December 2018: KD 32.34 million and 30 June 2018: KD 33.52 million) 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.

12. Share capital

The authorised, issued and fully paid share capital consists of 188,407,500 shares of 100 fils each (31 December 2018: 188,407,500 shares of 100 fils each and 30 June 2018: 188,407,500 shares of 100 fils each).



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13. Treasury shares

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Number of shares	7,620,000	7,620,000	7,620,000
Percentage of issued shares	4%	4%	4%
Market value (KD Million)	3.35	3.06	3.20
Cost (KD Million)	2.77	2.77	2.77

The Parent Company has allotted certain amount to the treasury shares balance from the available retained earnings as of 31 December 2018. 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 condensed consolidated interim financial information are as follows:

	Three month period ended 30 June		Six month period ended 30 June	
	2019 KD '000	2018 KD '000	2019 KD '000	2018 KD '000
a) Revenues and expenses:				
Sales	24,925	49,962	68,863	61,820
Storage expense	1,242	1,175	2,474	2,338
b) Key management compensation				
Salaries and other short-term benefits	250	239	489	463
Termination benefits	33	26	53	132

c) Due from / to related parties:

	30 June 2019 KD '000	31 December 2018 KD '000 (Audited)	30 June 2018 KD '000
<i>Due from related parties</i>			
Trade and other receivables	5,983	3,600	6,817
Other loans	711	710	709



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	30 June 2019 KD '000	31 December 2018 KD '000 (Audited)	30 June 2018 KD '000
<i>Due to related parties</i>			
Trade and other payables	972	695	637

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 30 June			
	2019		2018	
	Segment revenues KD '000	Segment results KD '000	Segment revenues KD '000	Segment results KD '000
Africa and Middle East	176,126	6,650	215,546	3,841
Asia and Far East	7,849	141	9,068	418
	<u>183,975</u>	<u>6,791</u>	<u>224,614</u>	<u>4,259</u>
Unallocated corporate items		<u>(2,218)</u>		<u>(2,275)</u>
	Six month period ended 30 June			
	2019		2018	
	Segment revenues KD '000	Segment results KD '000	Segment revenues KD '000	Segment results KD '000
Africa and Middle East	342,730	9,563	377,249	8,978
Asia and Far East	7,849	426	9,068	774
	<u>350,579</u>	<u>9,989</u>	<u>386,317</u>	<u>9,752</u>
Unallocated corporate items		<u>(4,371)</u>		<u>(4,650)</u>



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	Middle East and Africa KD '000	Europe KD '000	Asia Pacific KD '000	Total KD '000
30 June 2019				
Segment assets	79,469	-	9,152	88,621
Unallocated corporate assets	-	-	-	237,693
Total assets	79,469	-	9,152	326,314
Segment liabilities	10,077	13,322	-	23,399
Unallocated corporate liabilities	-	-	-	208,572
Total liabilities	10,077	13,322	-	231,971
31 December 2018 (Audited)				
Segment assets	68,782	-	9,143	77,925
Unallocated corporate assets	-	-	-	252,441
Total assets	68,782	-	9,143	330,366
Segment liabilities	11,263	28,868	-	40,131
Unallocated corporate liabilities	-	-	-	195,333
Total liabilities	11,263	28,868	-	235,464
30 June 2018				
Segment assets	74,262	-	9,128	83,390
Unallocated corporate assets	-	-	-	285,889
Total assets	74,262	-	9,128	369,279
Segment liabilities	54,242	49,110	-	103,352
Unallocated corporate liabilities	-	-	-	169,708
Total liabilities	54,242	49,110	-	273,060

16. Contingent liabilities and commitments

	30 June 2019 KD '000	31 December 2018 KD '000 (Audited)	30 June 2018 KD '000
Letters of guarantee and bid bonds	1,672	1,387	1,370
Letters of credit	26,349	73,897	117,833
	28,021	75,284	119,203
Commitments			
Investments in projects	5,800	9,166	9,424



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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			Total KD'000
	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	
30 June 2019				
Investments at fair value through other comprehensive income	-	2,501	24,180	26,681
Investments at fair value through statement of income	58,311	-	-	58,311
	<u>58,311</u>	<u>2,501</u>	<u>24,180</u>	<u>84,992</u>
31 December 2018 (Audited)				
Investments at fair value through other comprehensive income	-	2,534	24,157	26,691
Investments at fair value through statement of income	54,201	-	-	54,201
	<u>54,201</u>	<u>2,534</u>	<u>24,157</u>	<u>80,892</u>
30 June 2018				
Investments at fair value through other comprehensive income	-	2,286	27,274	29,560
Investments at fair value through statement of income	56,372	-	-	56,372
	<u>56,372</u>	<u>2,286</u>	<u>27,274</u>	<u>85,932</u>

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

18. Annual General Assembly

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.

The Shareholders' Annual General Assembly held on 13 February 2018 approved the annual audited consolidated financial statements for the year ended 31 December 2017 and payment of a cash dividend of 30 fils per share for the year ended 31 December 2017.