

**INDEPENDENT PETROLEUM GROUP COMPANY  
S.A.K. (CLOSED) AND SUBSIDIARIES  
STATE OF KUWAIT**



**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS AND REVIEW REPORT FOR  
THE PERIOD FROM 1 JANUARY TO 31 MARCH 2007  
(UNAUDITED)**

**INDEPENDENT PETROLEUM GROUP COMPANY  
S.A.K. (CLOSED) AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT (UNAUDITED)**



For the period from 1 January to 31 March 2007

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<b>INDEX</b>	<b>Page</b>
Review report	1
Condensed consolidated statement of income for the period from 1 January to 31 March 2007	2
Condensed consolidated balance sheet as at 31 March 2007	3
Condensed consolidated statement of changes in equity for the period from 1 January to 31 March 2007	4
Condensed consolidated statement of cash flows for the period from 1 January to 31 March 2007	5
Notes to the interim condensed consolidated financial statements	6-10



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## REVIEW REPORT TO THE BOARD OF DIRECTORS OF INDEPENDENT PETROLEUM GROUP COMPANY S.A.K (CLOSED)

### Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Independent Petroleum Group Company S.A.K. (Closed) (“the Parent Company”) and its subsidiaries (together referred to as “the Group”) as of 31 March 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management 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.

### 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 and to the best of our knowledge and belief, there were no contraventions during the period ended 31 March 2007 of either the Commercial Companies Law or the Parent Company’s Articles of Association, which might have materially affected the Group’s financial position or results of its operations.

Jassim Ahmad Al-Fahad  
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19 April 2007

**INDEPENDENT PETROLEUM GROUP COMPANY  
S.A.K. (CLOSED) AND SUBSIDIARIES**



**CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**

For the period from 1 January to 31 March 2007

	Notes	Three months ended 31 March	
		2007	2006
		KD	KD
Sales		89,445,374	145,799,188
Cost of sales		(88,350,689)	(143,839,425)
<b>Gross profit</b>		<b>1,094,685</b>	<b>1,959,763</b>
Other operating income		-	29,250
Net interest relating to oil marketing operations	4	303,591	(11,062)
<b>Net results of oil marketing operations</b>		<b>1,398,276</b>	<b>1,977,951</b>
Share of results of associates and joint ventures	8 & 9	59,115	(164,868)
General and administrative expenses		(272,179)	(244,659)
Staff costs		(729,633)	(909,910)
Depreciation		(10,998)	(10,337)
<b>Operating profit</b>		<b>444,581</b>	<b>648,177</b>
Dividend income		149,698	205,766
Gain on investments at fair value through statement of income		896,251	1,345,564
Other income		54,853	77,445
<b>Profit before provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labour Support Tax (NLST)</b>		<b>1,545,383</b>	<b>2,276,952</b>
Provision for contribution to KFAS		(13,908)	(20,493)
Provision for NLST		(2,151)	-
<b>Profit for the period</b>		<b>1,529,324</b>	<b>2,256,459</b>
<b>Earnings per share (fils)</b>	5	<b>10.10</b>	<b>14.82</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**INDEPENDENT PETROLEUM GROUP COMPANY  
S.A.K. (CLOSED) AND SUBSIDIARIES**



**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**

As at 31 March 2007

		31 March 2007 (Unaudited)	31 December 2006 (Audited)	31 March 2006 (Unaudited)
	Notes	KD	KD	KD
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	8,854,000	8,243,521	9,640,562
Investments at fair value through statement of income	7	41,138,451	40,242,200	38,854,115
Trade and other receivables		63,452,274	64,023,717	63,693,942
Inventories		22,569,110	22,146,617	5,012,258
<b>Total current assets</b>		<b>136,013,835</b>	<b>134,656,055</b>	<b>117,200,877</b>
<b>Non-current assets</b>				
Other loans		5,787,673	5,892,461	3,619,052
Investments available for sale	7	2,176,839	2,084,665	2,252,766
Investment in joint ventures	8	7,400,819	6,602,671	7,656,766
Investment in associates	9	7,189,966	6,290,889	4,631,230
Property and equipment		676,075	665,800	662,429
<b>Total assets</b>		<b>159,245,207</b>	<b>156,192,541</b>	<b>136,023,120</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Due to banks		78,228,836	67,594,845	45,338,861
Directors' fees payable		-	100,000	-
Trade and other payables		24,149,893	28,760,589	33,728,491
<b>Total current liabilities</b>		<b>102,378,729</b>	<b>96,455,434</b>	<b>79,067,352</b>
<b>Non-current liabilities</b>				
Provision for staff indemnity		1,098,885	1,049,612	1,078,490
<b>Total liabilities</b>		<b>103,477,614</b>	<b>97,505,046</b>	<b>80,145,842</b>
<b>Equity</b>				
Share capital	10	15,225,000	15,225,000	15,225,000
Share premium		22,586,707	22,586,707	22,586,707
Legal reserve		4,212,341	4,212,341	3,587,725
General reserve		605,796	605,796	605,796
Fair value reserve		314,860	222,686	190,412
Foreign currency translation adjustments		(1,663,569)	(1,663,569)	(935,031)
Gain on sale of treasury shares		1,422,306	1,422,306	1,422,306
Treasury shares	11	(327,000)	(327,000)	-
Retained earnings		13,391,152	16,403,228	13,194,363
<b>Total equity</b>		<b>55,767,593</b>	<b>58,687,495</b>	<b>55,877,278</b>
<b>Total liabilities and equity</b>		<b>159,245,207</b>	<b>156,192,541</b>	<b>136,023,120</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Khalaf Ahmad Al-Khalaf  
Chairman

Ghazi Fahad Al-Nafisi  
Vice Chairman

Waleed Jaber Hadeed  
Executive Managing Director

**INDEPENDENT PETROLEUM GROUP COMPANY  
S.A.K. (CLOSED) AND SUBSIDIARIES**



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the period from 1 January to 31 March 2007

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve	Foreign currency translation adjustments	Gain on sale of treasury shares	Treasury shares	Retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
<b>Balance at 1 January 2006</b>	15,225,000	22,586,707	3,587,725	605,796	236,118	(738,754)	1,422,306	-	15,505,404	58,430,302
Changes in fair value of investments available for sale	-	-	-	-	(45,706)	-	-	-	-	(45,706)
Foreign currency translation adjustments	-	-	-	-	-	(196,277)	-	-	-	(196,277)
Net expense recognized directly in equity	-	-	-	-	(45,706)	(196,277)	-	-	-	(241,983)
Profit for the period	-	-	-	-	-	-	-	-	2,256,459	2,256,459
Total recognized expense and income for the period	-	-	-	-	(45,706)	(196,277)	-	-	2,256,459	2,014,476
Dividends for 2005	-	-	-	-	-	-	-	-	(4,567,500)	(4,567,500)
<b>Balance at 31 March 2006</b>	<u>15,225,000</u>	<u>22,586,707</u>	<u>3,587,725</u>	<u>605,796</u>	<u>190,412</u>	<u>(935,031)</u>	<u>1,422,306</u>	<u>-</u>	<u>13,194,363</u>	<u>55,877,278</u>
<b>Balance at 1 January 2007</b>	15,225,000	22,586,707	4,212,341	605,796	222,686	(1,663,569)	1,422,306	(327,000)	16,403,228	58,687,495
Changes in fair value of investments available for sale	-	-	-	-	92,174	-	-	-	-	92,174
Net income recognized directly in equity	-	-	-	-	92,174	-	-	-	-	92,174
Profit for the period	-	-	-	-	-	-	-	-	1,529,324	1,529,324
Total recognized income for the period	-	-	-	-	92,174	-	-	-	1,529,324	1,621,498
Dividends for 2006 (Note 15)	-	-	-	-	-	-	-	-	(4,541,400)	(4,541,400)
<b>Balance at 31 March 2007</b>	<u>15,225,000</u>	<u>22,586,707</u>	<u>4,212,341</u>	<u>605,796</u>	<u>314,860</u>	<u>(1,663,569)</u>	<u>1,422,306</u>	<u>(327,000)</u>	<u>13,391,152</u>	<u>55,767,593</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**INDEPENDENT PETROLEUM GROUP COMPANY  
S.A.K. (CLOSED) AND SUBSIDIARIES**



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the period from 1 January to 31 March 2007

	Note	Three months ended 31 March	
		2007	2006
		KD	KD
<b>OPERATING ACTIVITIES</b>			
Profit before provision for contribution to KFAS and NLST		1,545,383	2,276,952
Adjustments for:			
Depreciation		10,998	10,337
Interest expense		1,096,911	602,593
Dividend income		(149,698)	(205,766)
Gain on investments at fair value through statement of income		(896,251)	(1,345,564)
Share of results of associates and joint ventures		(59,115)	164,868
Interest income		(1,454,888)	(664,361)
Provision for staff indemnity		49,273	142,835
		142,613	981,894
Decrease in trade and other receivables		1,093,847	16,665,586
(Increase) / decrease in inventories		(422,493)	1,742,398
Decrease in trade and other payables		(4,163,769)	(18,786,667)
<b>Cash (used in) / generated from operations</b>		<b>(3,349,802)</b>	<b>603,211</b>
Interest received		932,484	229,742
Payment to KFAS		(56,215)	(67,374)
Directors' fees paid		(100,000)	(120,000)
NLST paid		-	(14,147)
Payment of staff indemnity		-	(7,778)
<b>Net cash (used in) / from operating activities</b>		<b>(2,573,533)</b>	<b>623,654</b>
<b>INVESTING ACTIVITIES</b>			
Investment in a joint venture		(720,505)	-
Investment in associates		(917,605)	(233,483)
Dividends received		149,698	205,766
Decrease (increase) in other loans		104,788	(1,543,852)
Purchase of property and equipment		(21,273)	(7,980)
<b>Net cash used in investing activities</b>		<b>(1,404,897)</b>	<b>(1,579,549)</b>
<b>FINANCING ACTIVITIES</b>			
Net increase in due to banks		10,633,991	494,703
Dividends paid		(4,541,400)	(4,567,500)
Interest paid		(1,503,682)	(562,058)
<b>Net cash from / (used in) financing activities</b>		<b>4,588,909</b>	<b>(4,634,855)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>610,479</b>	<b>(5,590,750)</b>
Cash and cash equivalents at beginning of the period		8,243,521	15,231,312
<b>Cash and cash equivalents at end of the period</b>	6	<b>8,854,000</b>	<b>9,640,562</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**INDEPENDENT PETROLEUM GROUP COMPANY  
S.A.K. (CLOSED) AND SUBSIDIARIES**



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)**

For the period from 1 January to 31 March 2007

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**1. INCORPORATION AND ACTIVITIES**

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

The main activities of the Company and its subsidiaries (together known 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.

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

These interim condensed consolidated financial statements for the three month period ended 31 March 2007 were authorized for issue by the Chairman on behalf of the Board of Directors on 19 April 2007.

**2. BASIS OF PRESENTATION**

These interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting, and the guidelines issued by the Kuwait Stock Exchange. Condensed financial information does 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 interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2007.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual audited consolidated financial statements of the Group for the year ended 31 December 2006. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2006.

**3. JUDGMENTS AND ESTIMATES**

The preparation of interim financial statements requires management to make judgements, 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 statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2006.

**INDEPENDENT PETROLEUM GROUP COMPANY  
S.A.K. (CLOSED) AND SUBSIDIARIES**



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)**

For the period from 1 January to 31 March 2007

**4. NET INTEREST RELATING TO OIL MARKETING OPERATIONS**

	Three months ended	
	31 March 2007	31 March 2006
	KD	KD
Interest income	1,400,502	591,531
Interest expense	(1,096,911)	(602,593)
	<u>303,591</u>	<u>(11,062)</u>

**5. 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 months ended	
	31 March 2007	31 March 2006
	KD	KD
Profit for the period	1,529,324	2,256,459
	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	(870,000)	-
Weighted average number of shares outstanding during the period	<u>151,380,000</u>	<u>152,250,000</u>
Earnings per share (fils)	<u>10.10</u>	<u>14.82</u>

**6. CASH AND CASH EQUIVALENTS**

	31 March 2007 (Unaudited)	31 December 2006 (Audited)	31 March 2006 (Unaudited)
	KD	KD	KD
Cash on hand and at banks	788,255	241,067	1,833,258
Call accounts and time deposits	8,065,745	8,002,454	7,807,304
	<u>8,854,000</u>	<u>8,243,521</u>	<u>9,640,562</u>

**INDEPENDENT PETROLEUM GROUP COMPANY  
S.A.K. (CLOSED) AND SUBSIDIARIES**



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)**

For the period from 1 January to 31 March 2007

**7. INVESTMENTS**

	31 March 2007 (Unaudited) KD	31 December 2006 (Audited) KD	31 March 2006 (Unaudited) KD
<b>Investments at fair value through statement of income:</b>			
<b>Held for trading:</b>			
Managed portfolios	40,266,084	39,368,464	38,020,967
Quoted securities	872,367	873,736	833,148
	41,138,451	40,242,200	38,854,115
<b>Investments available for sale:</b>			
Quoted securities	562,490	470,316	441,824
Unquoted securities	1,614,349	1,614,349	1,810,942
	2,176,839	2,084,665	2,252,766

Investments at fair value through statement of income with a carrying amount of KD 40,266,084 (31 December 2006: KD 39,368,464 and 31 March 2006: 38,020,967) are pledged as collateral against amounts due to banks.

It was not possible to reliably measure the fair value of unquoted securities available for sale since there is no active market; accordingly they are stated at cost less impairment losses, if any.

**8. INVESTMENT IN JOINT VENTURES**

During the period, the Group recognized KD 14,549 (31 March 2006: KD 250,720) as its share of loss from D&K Holding LLC, Dubai (DKHL) and KD 92,192 (31 March 2006: KD 117,429) as its share of income from Uniterminals Ltd, Lebanon.

During the period, the Group invested KD 720,505 in DKHL towards capital increase in its subsidiary, D & K Petroleum (Singapore) Pte Ltd. (DKPSL).

**9. INVESTMENT IN ASSOCIATES**

During the period, the Group recognised KD 18,528 (31 March 2006: KD 27,596) as its share of loss from ArabTank Terminals Ltd., Saudi Arabia (ATT) and KD Nil (31 March 2006: KD 3,981) as its share of loss from ENOC Bunkering (Fujairah) L.L.C.

During the period, the Group invested an additional capital of KD 423,378 in ATT representing its share in the second phase of the project towards petroleum product storage facilities. Further, the Group invested KD 494,227 towards its share of 32.5% interest in Horizon Tangiers Terminals SA. (HTTSA) representing investment in petroleum storage terminal in Morocco.

**10. SHARE CAPITAL**

The authorised, issued and fully paid share capital consists of 152,250,000 shares of 100 fils each (31 December 2006: 152,250,000 shares of 100 fils each and 31 March 2006: 152,250,000 shares of 100 fils each).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)**

For the period from 1 January to 31 March 2007

**11. TREASURY SHARES**

	31 March 2007 (Unaudited)	31 December 2006 (Audited)	31 March 2006 (Unaudited)
Number of shares	870,000	870,000	-
Percentage of issued shares	0.57%	0.57%	-
Market value (KD)	382,800	352,350	-
Cost (KD)	327,000	327,000	-

**12. RELATED PARTY TRANSACTIONS**

These represent transactions with related parties in the normal course of business. The terms of these transactions are on negotiated contract basis. The related party transactions and balances included in the Group's consolidated financial statements are as follows:

	Three months ended		
	31 March 2007	31 March 2006	
<b>a) Revenues:</b>	<b>KD</b>	<b>KD</b>	
Sales	6,977,167	38,186,206	
Other operating income	-	29,250	
Net interest relating to oil marketing operations	52,840	139,254	
<b>b) Key management compensation</b>			
Salaries and other short-term benefits	161,005	177,320	
Terminal benefits	15,685	109,189	
<b>c) Due from / to related parties:</b>			
	31 March 2007 (Unaudited)	31 December 2006 (Audited)	31 March 2006 (Unaudited)
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Trade and other receivables	6,877,062	5,583,334	14,855,181
Trade and other payables	190,797	661,589	152,553
Other loans	5,787,673	5,892,461	3,619,052

**INDEPENDENT PETROLEUM GROUP COMPANY  
S.A.K. (CLOSED) AND SUBSIDIARIES**



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)**

For the period from 1 January to 31 March 2007

**13. SEGMENTAL INFORMATION**

The Group operates in one industry segment the trading of crude oil and petroleum products. Information about the Group's geographical business segments is summarised as follows:

	Three months ended 31 March			
	2007		2006	
	Segment revenues	Segment results	Segment revenues	Segment results
	KD	KD	KD	KD
Africa and Middle East	78,158,949	1,662,445	112,708,315	979,993
Europe and South America	10,696,625	20,259	24,753,030	706,177
Asia and Far East	589,800	(225,315)	8,337,843	126,913
	<u>89,445,374</u>	<u>1,457,389</u>	<u>145,799,188</u>	<u>1,813,083</u>
Unallocated corporate items		(1,012,808)		(1,164,906)
Operating profit		<u>444,581</u>		<u>648,177</u>

**14. CONTINGENT LIABILITIES AND COMMITMENTS**

**Contingent liabilities**

	31 March 2007 (Unaudited)	31 December 2006 (Audited)	31 March 2006 (Unaudited)
	KD	KD	KD
Letters of guarantee and bid bonds	5,048,625	4,664,511	857,995
Letters of credit	38,045,420	41,381,330	54,018,315
	<u>43,094,045</u>	<u>46,045,841</u>	<u>54,876,310</u>
<b>Commitments</b>			
Investment in projects	<u>5,299,594</u>	<u>7,862,249</u>	<u>13,953,856</u>

**15. GENERAL ASSEMBLY**

The Shareholders' General Assembly held on 10 March 2007 approved the annual audited consolidated financial statements for the year ended 31 December 2006 and payment of a cash dividend of 30 fils per share for the year ended 31 December 2006 (2005: 30 fils per share).

**16. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current period presentation.