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**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 30 JUNE 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 30 June 2007

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

Report on review of interim condensed consolidated financial statements

Introduction

We have reviewed the accompanying 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 at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard, IAS 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial statements are in agreement with the books of account and to the best of our knowledge and belief, there were no contraventions during the period ended 30 June 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.

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23 July 2007

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



**CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)**

For the period from 1 January to 30 June 2007

	Notes	Three months ended 30 June		Six months ended 30 June	
		2007	2006	2007	2006
		KD	KD	KD	KD
Sales		134,126,800	119,264,764	223,572,174	265,063,952
Cost of sales		(132,232,132)	(118,634,350)	(220,582,821)	(262,473,775)
Gross profit		1,894,668	630,414	2,989,353	2,590,177
Other operating income		-	29,250	-	58,500
Net interest relating to oil marketing operations	3	(710,875)	1,723,900	(407,284)	1,712,838
Net results of oil marketing operations		1,183,793	2,383,564	2,582,069	4,361,515
Share of results of associates and joint ventures	7 & 8	556,790	22,229	615,905	(142,639)
General and administrative expenses		(550,160)	(218,362)	(822,339)	(463,021)
Staff costs		(871,474)	(630,056)	(1,601,107)	(1,539,966)
Depreciation		(10,614)	(11,117)	(21,612)	(21,454)
Operating profit		308,335	1,546,258	752,916	2,194,435
Dividend income		169,981	18,207	319,679	223,973
Gain / (loss) on investments at fair value through statement of income		1,437,945	(510,998)	2,334,196	834,566
Other income		5,736	53,079	60,589	130,524
Profit before provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labour Support Tax (NLST)		1,921,997	1,106,546	3,467,380	3,383,498
Provision for contribution to KFAS		(17,298)	(13,342)	(31,206)	(33,835)
Provision for NLST		(7,013)	-	(9,164)	-
Profit for the period		1,897,686	1,093,204	3,427,010	3,349,663
Earnings per share (fils)	4	12.54	7.18	22.64	22.00

The accompanying notes set out on pages 6 to 11 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 30 June 2007

		30 June 2007 (Unaudited)	31 December 2006 (Audited)	30 June 2006 (Unaudited)
	Notes	KD	KD	KD
ASSETS				
Current assets				
Cash and cash equivalents	5	7,395,064	8,243,521	15,805,198
Investments at fair value through statement of income	6	42,574,080	40,242,200	38,343,117
Trade and other receivables		99,126,338	64,023,717	58,489,444
Inventories		24,297,390	22,146,617	2,673,087
Total current assets		173,392,872	134,656,055	115,310,846
Non-current assets				
Other loans		5,050,473	5,892,461	4,233,303
Investments available for sale	6	2,020,553	2,084,665	2,219,054
Investment in joint ventures	7	7,852,918	6,602,671	7,707,974
Investment in associates	8	7,381,088	6,290,889	4,997,554
Property and equipment		678,418	665,800	663,001
Total assets		196,376,322	156,192,541	135,131,732
LIABILITIES AND EQUITY				
Current liabilities				
Due to banks		111,568,540	67,594,845	49,426,380
Directors' fees payable		-	100,000	-
Trade and other payables		26,022,902	28,760,589	27,641,675
Total current liabilities		137,591,442	96,455,434	77,068,055
Non-current liabilities				
Provision for staff indemnity		1,175,304	1,049,612	1,032,254
Total liabilities		138,766,746	97,505,046	78,100,309
Equity				
Share capital	9	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		259,157	222,686	251,353
Foreign currency translation reserve		(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	10	(327,000)	(327,000)	-
Retained earnings		15,288,838	16,403,228	14,287,567
Total equity		57,609,576	58,687,495	57,031,423
Total liabilities and equity		196,376,322	156,192,541	135,131,732

Khalaf Ahmad Al-Khalaf
Chairman

Ghazi Fahad Al-Nafisi
Vice Chairman

Waleed Jaber Hadeed
Executive Managing Director

The accompanying notes set out on pages 6 to 11 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 CHANGES IN EQUITY
(UNAUDITED)**

For the period from 1 January to 30 June 2007

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Gain on sale of treasury shares	Treasury shares	Retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2007	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	-	-	-	-	36,471	-	-	-	-	36,471
Net income recognized directly in equity	-	-	-	-	36,471	-	-	-	-	36,471
Profit for the period	-	-	-	-	-	-	-	-	3,427,010	3,427,010
Total recognized income for the period	-	-	-	-	36,471	-	-	-	3,427,010	3,463,481
Dividends for 2006 (note 14)	-	-	-	-	-	-	-	-	(4,541,400)	(4,541,400)
Balance at 30 June 2007	<u>15,225,000</u>	<u>22,586,707</u>	<u>4,212,341</u>	<u>605,796</u>	<u>259,157</u>	<u>(1,663,569)</u>	<u>1,422,306</u>	<u>(327,000)</u>	<u>15,288,838</u>	<u>57,609,576</u>
Balance at 1 January 2006	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	-	-	-	-	15,235	-	-	-	-	15,235
Foreign currency translation adjustments	-	-	-	-	-	(196,277)	-	-	-	(196,277)
Net income and expense recognized directly in equity	-	-	-	-	15,235	(196,277)	-	-	-	(181,042)
Profit for the period	-	-	-	-	-	-	-	-	3,349,663	3,349,663
Total recognized income and expense for the period	-	-	-	-	15,235	(196,277)	-	-	3,349,663	3,168,621
Dividends for 2005 (note 14)	-	-	-	-	-	-	-	-	(4,567,500)	(4,567,500)
Balance at 30 June 2006	<u>15,225,000</u>	<u>22,586,707</u>	<u>3,587,725</u>	<u>605,796</u>	<u>251,353</u>	<u>(935,031)</u>	<u>1,422,306</u>	<u>-</u>	<u>14,287,567</u>	<u>57,031,423</u>

The accompanying notes set out on pages 6 to 11 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 30 June 2007

	Note	Six months ended 30 June	
		2007	2006
		KD	KD
OPERATING ACTIVITIES			
Profit before provision for contribution to KFAS and NLST		3,467,380	3,383,498
Adjustments for:			
Depreciation		21,612	21,454
Interest expense		2,300,303	1,395,469
Dividend income		(319,679)	(223,973)
Gain on investments at fair value through statement of income		(2,334,196)	(834,566)
Share of results of associates and joint ventures		(615,905)	142,639
Interest income		(1,940,416)	(3,259,726)
Gain on disposal of property and equipment		-	(424)
Provision for staff indemnity		125,692	175,107
		704,791	799,478
(Increase) / decrease in trade and other receivables		(34,357,161)	24,128,667
(Increase) / decrease in inventories		(2,150,773)	4,081,569
Decrease in trade and other payables		(2,286,563)	(23,440,381)
Cash (used in) / generated by operations		(38,089,706)	5,569,333
Interest received		1,194,956	2,337,000
Payment to KFAS		(56,215)	(67,374)
Directors' fees paid		(100,000)	(120,000)
NLST paid		-	(14,147)
Payment of staff indemnity		-	(86,286)
Net cash (used in) / generated by operating activities		(37,050,965)	7,618,526
INVESTING ACTIVITIES			
Investment in joint ventures		(720,505)	(3,220,048)
Investment in associates		(917,605)	(628,540)
Proceeds from sale of investment at fair value through statement of income		2,316	-
Dividends received		319,679	223,973
Decrease / (increase) in other loans		730,581	(2,158,102)
Repayment of subordinated loan		-	94,653
Purchase of property and equipment		(34,230)	(19,670)
Proceeds from disposal of property and equipment		-	424
Net cash used in investing activities		(619,764)	(5,707,310)
FINANCING ACTIVITIES			
Increase in due to banks		43,973,695	4,582,222
Dividends paid		(4,541,400)	(4,567,500)
Interest paid		(2,610,023)	(1,352,052)
Net cash generated by / (used in) financing activities		36,822,272	(1,337,330)
Net (decrease) / increase in cash and cash equivalents		(848,457)	573,886
Cash and cash equivalents at beginning of the period		8,243,521	15,231,312
Cash and cash equivalents at end of the period	5	7,395,064	15,805,198

The accompanying notes set out on pages 6 to 11 are an integral part of these interim condensed consolidated financial statements.



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

For the period from 1 January to 30 June 2007

1. INCORPORATION AND ACTIVITIES

Independent Petroleum Group Company S.A.K. (Closed) (“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 six-month period ended 30 June 2007 were authorized for issue by the Chairman on behalf of the Board of Directors on 23 July 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. Interim condensed consolidated financial statements 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. NET INTEREST RELATING TO OIL MARKETING OPERATIONS

	Three months ended		Six months ended	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	KD	KD	KD	KD
Interest income	492,517	2,516,776	1,893,019	3,108,307
Interest expense	(1,203,392)	(792,876)	(2,300,303)	(1,395,469)
	<u>(710,875)</u>	<u>1,723,900</u>	<u>(407,284)</u>	<u>1,712,838</u>



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

For the period from 1 January to 30 June 2007

4. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	KD	KD	KD	KD
Profit for the period	1,897,686	1,093,204	3,427,010	3,349,663
	Shares		Shares	
Weighted average number of issued shares outstanding during the period	152,250,000	152,250,000	152,250,000	152,250,000
Weighted average number of treasury shares outstanding during the period	(870,000)	-	(870,000)	-
Weighted average number of shares outstanding during the period	151,380,000	152,250,000	151,380,000	152,250,000
Earnings per share (fils)	12.54	7.18	22.64	22.00

5. CASH AND CASH EQUIVALENTS

	30 June 2007 (Unaudited)	31 December 2006 (Audited)	30 June 2006 (Unaudited)
	KD	KD	KD
Cash on hand and at banks	272,279	241,067	243,031
Call accounts and time deposits	7,122,785	8,002,454	15,562,167
	7,395,064	8,243,521	15,805,198

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

For the period from 1 January to 30 June 2007

6. INVESTMENTS

	30 June 2007 (Unaudited) KD	31 December 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Investments at fair value through statement of income:			
Held for trading:			
Managed portfolios	41,697,377	39,368,464	37,469,524
Quoted securities	876,703	873,736	873,593
	42,574,080	40,242,200	38,343,117
Investments available for sale:			
Quoted securities	506,787	470,316	502,765
Unquoted securities	1,513,766	1,614,349	1,716,289
	2,020,553	2,084,665	2,219,054

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.

Investments at fair value through statement of income with a carrying amount of KD 41,697,377 (31 December 2006: KD 39,368,464 and 30 June 2006: KD 37,469,524) are pledged as collateral against amounts due to banks.

7. INVESTMENT IN JOINT VENTURES

The Group recognized KD 177,326 (30 June 2006 share of loss: KD 489,127) as its share of income from D&K Holding LLC, Dubai (DKHL) and KD 352,416 (30 June 2006: KD 406,831) as its share of income from Uniterminals S.A.L., Lebanon for the period ended 30 June 2007.

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

8. INVESTMENT IN ASSOCIATES

The Group recognised KD 223,277 (30 June 2006: KD Nil) as its share of income from Horizon Singapore Terminals Private Limited (HSTPL) and KD 38,529 (30 June 2006: Nil) as its share of income from Horizon Djibouti Terminals Limited (HDTL) for the period ended 30 June 2007.

The Group recognised KD 175,643 (30 June 2006: KD 56,361) as its share of loss from Arabtank Terminals Ltd., Saudi Arabia (ATT) and KD nil (30 June 2006: KD 3,982) as its share of loss from ENOC Bunkering (Fujairah) L.L.C. for the period ended 30 June 2007.

During the period, the Group acquired 10% additional interest in an associate Inpetro S.A.R.L., for KD 86,430 to reach 40% shareholding in the associate.

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% in Horizon Tangiers Terminals SA. (HTTSA) representing investment in petroleum storage terminal in Morocco.



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

For the period from 1 January to 30 June 2007

9. 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 30 June 2006: 152,250,000 shares of 100 fils each).

10. TREASURY SHARES

	30 June 2007 <u>(Unaudited)</u>	31 December 2006 <u>(Audited)</u>	30 June 2006 <u>(Unaudited)</u>
Number of shares	870,000	870,000	-
Percentage of issued shares	0.57%	0.57%	-
Market value (KD)	400,200	352,350	-
Cost (KD)	327,000	327,000	-

11. 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 interim condensed consolidated financial statements are as follows:

	<u>Three months ended</u>		<u>Six months ended</u>	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
a) Revenues:	KD	KD	KD	KD
Sales	<u>11,551,168</u>	<u>24,277,889</u>	<u>18,528,335</u>	<u>62,464,095</u>
Other operating income	<u>-</u>	<u>29,250</u>	<u>-</u>	<u>58,500</u>
Net interest relating to oil marketing operations	<u>-</u>	<u>162,640</u>	<u>52,840</u>	<u>301,894</u>
b) Key management compensation				
Salaries and other short-term benefits	<u>177,128</u>	<u>175,688</u>	<u>338,133</u>	<u>353,008</u>
Termination benefits	<u>23,946</u>	<u>10,743</u>	<u>39,631</u>	<u>119,932</u>
c) Due from / to related parties:				
	30 June 2007 <u>(Unaudited)</u>	30 June 2006 <u>(Unaudited)</u>	31 December 2006 <u>(Audited)</u>	30 June 2006 <u>(Unaudited)</u>
	KD	KD	KD	KD
Trade and other receivables	<u>7,246,383</u>	<u>7,246,383</u>	<u>5,583,334</u>	<u>12,946,971</u>
Trade and other payables	<u>190,797</u>	<u>190,797</u>	<u>661,589</u>	<u>260,020</u>
Other loans	<u>5,050,473</u>	<u>5,050,473</u>	<u>5,892,461</u>	<u>4,233,303</u>

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

For the period from 1 January to 30 June 2007

12. SEGMENTAL INFORMATION

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

	Three months ended 30 June			
	2007		2006	
	Segment revenues	Segment results	Segment revenues	Segment results
	KD	KD	KD	KD
Africa and Middle East	116,538,026	1,174,381	75,348,625	2,535,911
Europe and South America	9,948,412	151,131	20,274,766	421,384
Asia and Far East	7,640,362	415,074	23,641,373	(551,502)
	<u>134,126,800</u>	<u>1,740,586</u>	<u>119,264,764</u>	<u>2,405,793</u>
Unallocated corporate items		(1,432,251)		(859,535)
Operating profit		<u>308,335</u>		<u>1,546,258</u>

	Six months ended 30 June			
	2007		2006	
	Segment revenues	Segment results	Segment revenues	Segment results
	KD	KD	KD	KD
Africa and Middle East	194,696,975	2,836,826	188,056,940	3,515,904
Europe and South America	20,645,037	171,390	45,027,796	1,127,561
Asia and Far East	8,230,162	189,759	31,979,216	(424,589)
	<u>223,572,174</u>	<u>3,197,975</u>	<u>265,063,952</u>	<u>4,218,876</u>
Unallocated corporate items		(2,445,059)		(2,024,441)
Operating profit		<u>752,916</u>		<u>2,194,435</u>

13. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	30 June 2007 (Unaudited)	31 December 2006 (Audited)	30 June 2006 (Unaudited)
	KD	KD	KD
Letters of guarantee and bid bonds	14,235,387	4,664,511	22,577
Letters of credit	45,784,607	41,381,330	38,941,461
	<u>60,019,994</u>	<u>46,045,841</u>	<u>38,964,038</u>
Commitments			
Investments in projects	<u>5,270,784</u>	<u>7,862,249</u>	<u>13,374,492</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 30 June 2007

14. 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).