Oula Fuel Marketing Company K.S.C

We are changing

Annual Report 2006

Annual Report 2006

His Highness Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

His Highness Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

His Highness Sheikh

Nasser Al-Mohammad Al-Jaber Al-Sabah

Prime Minister - State of Kuwait

Contents


أولى
Oula


أولى


أولى
Oula
خطوة أولى
نحو التغيير

Board of Directors - Oula Fuel Marketing Co. K.S.C

1. Saud Abdul-Aziz Al-Babtain
   Chairman

2. Mahdi Mahmoud Haider
   Vice Chairman

3. Abdulhadi Abdullah Busakher
   Managing Director

4. Mohannad Mohammed Al-Kharafi
   Board Member

5. Ahmad Abdul-Aziz Al-Ghannam
   Board Member

6. Mohammed Al-Khateeb
   Board Member

7. Mishari Ahmad Al-Obaid
   Board Member

8. Ahmad Ibrahim Al-Asfour
   Board Member

9. Ibrahim Ahmad Al-Khulaifi
   Board Member

Board of Directors Report
For the year ended December 31, 2006

Dear Shareholders,

It gives me great pleasure to welcome you to this meeting on behalf of the Board of Directors, and to review with you the Annual Report for Oula Fuel Marketing Company, which highlights the major achievements of the Company during the financial period ended 31.12.2006.

With your support, and with the dedicated efforts of all Oula staff members, the Company has achieved major progress in several areas regarding the forty fuel stations, which ownership was fully transferred on 1.6.2005 from Kuwait National Petroleum Company (KNPC) to the name of Oula. Following the completion of the title transfer formalities, the stations were actually operated in cooperation with KNPC and other government and private bodies.

As regards the Company's financial performance and achievements during the financial period ended December 31, 2006, I am delighted to report to you that your Company has outperformed all expectations, posting excellent results. I am pleased as well to briefly review with you Oula's financial operating results and activities during the year, and its future its projects.

Total income for the year amounted to KD 11.167 million, while net profit hit a record level of KD 3.481 million, with total operating expenses for the period amounting to KD 7.686 million. Total assets rose to KD 51.934 million, while shareholders equity grew to KD 34.771 million, whereas total liabilities reached KD 17.147 million as at 31.12.2006.

The financing needs for the future projects are estimated at KD 20 million, covering the costs of building new fuel stations and developing the existing forty stations. These future projects will be the platform for providing the best and latest services to our clients, as well as for generating high levels of profitability during the coming years. This will favorably reflect on maximizing the value for shareholders. In order to cope with these capital expenditure requirements, the Board of Directors will present to the Annual General Meeting a recommendation to not distribute any profits for the period in review.

The main future projects planned for execution include the following:

1- Providing Automated Teller Machines (ATMs).

2- Extending mobile services such as: bills payment service, mobile lines sale service, repair of mobile devices service, etc.

3- Offering cars lube change service, carwash service, maintenance and repair workshops services, and cars technical fitness checkup.

4- Launching the new post-paid and prepaid "OulaCard" product, for post-payment and prepayment of Oula's bills. Through these cards, Oula will be introducing several modern and first-of-kind services in the near future which upgrade methods of payment for fuel buying and other services for individuals, companies and government entities.

5- Incepting a Chain of Stores that offer convenient Supermarket services to Oula's clients.

6- Initiating a Client Service Center on the hotline 800111.

7- Connecting all fuel stations with the head office of the Company through an advanced and integrated electronic network.

8- Installation of a Points of Sale (PO'S) System for accepting bank cards like: K-Net, Visa, MasterCard, American Express and other major credit cards.

9- Offering advanced advertising services within the stations.

Furthermore, three new locations have been allocated for the Company for the purpose of building modern fuel stations to provide integrated services in: Kabad, Mubarak Al Abdullah and East Shuaiba areas. These stations will be designed to the latest international standards. Construction works in these locations will actually commence in April 2007, with November 2007 being the targeted completion date.

In conclusion, I would like to take this opportunity to express, on behalf of the Board of Directors, our sincere gratitude and appreciation to all government and private bodies for their continued support and cooperation with the Company.

Our thanks are also due to our valued shareholders for their firm confidence. We reaffirm to them our commitment to diligently work to the best of their interest, endeavoring to grow their investments according to clearly focused and well worked- out strategic plans. We also thank all our staff members for the utmost dedication, loyalty and cooperation they have shown. We trust they will spare no effort in best serving the interests of the company and achieving its targeted objectives.

Chairman

Saud Abdul Aziz Al- Babtain

Oula Fuel Marketing Company

Kuwait Shareholding Company

Kuwait

Financial Statements
For the year ended December 31, 2006
With Independent Auditors' Report

BDO

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Independent Auditors' Report

The shareholder's
Oula Fuel Marketing Company
Kuwait Shareholding Company - State of Kuwait

Report on the Financial Statements

We have audited the accompanying financial statements of Oula Fuel Marketing Company Kuwait Shareholding Company which comprise of the balance sheet, as of December 31, 2006 and the related statements of income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company, as of December 31, 2006, and of its finanical performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company, and the financial statements together with the contents of the report of the Board of Directors relating to these financial statements, are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Commercial Companies' Law of 1960 as amended, and by the Company's Articles and Memorandum of Association, and the stock taking was duly conducted in accordance with recognized practices, to the extent of information available to us, no violations of the Commercial Companies' Law of 1960 nor of the Company's Articles and Memorandum of Association have occurred during the year ended December 31,2006 that might have had a material effect on the business of the Company or on its financial position except what is mentioned in the note (1).

Ali A. Al Hasawi
Licence No. 30 - (A)
BDO Burgan – International Accountants

Qais M. Al-Nisf
Licence No. 38 - (A)
of Moore Stephens Al-Nisf & Partners
Member Firm of Moore Stephens International

12 March 2007, State of Kuwait

Balance sheet

As at December 31, 2006

(All amounts are in Kuwaiti Dinars)

Exhibit - A

	Note	2006	2005
Assets			
Non-current assets			
Property, plant and equipment	3	**952,617**	2,129,680
Intangible assets	4	**23,964,500**	23,964,500
Available for sale investments	5	**210,000**	-
		25,127,117	26,094,180
Current assets			
Inventories		**385,942**	345,326
Receivables and other debit balances	6	**2,339,556**	485,384
Term deposits	7	**20,353,852**	12,359,387
Cash and cash equivalent	8	**3,727,821**	12,464,501
		26,807,171	25,654,598
Total Assets		**51,934,288**	51,748,778
Equity and liabilities			
Equity			
Capital	9	**29,972,654**	29,972,654
Statutory reserve	10	**497,965**	132,935
Voluntary reserve	11	**497,965**	132,935
Retained earnings		**3,802,649**	1,051,516
Total Equity		**34,771,233**	31,290,040
Non-current liabilities			
End of service indemnity		**16,114**	10,785
Current liabilities			
Payables and other credit balances	12	**444,023**	818,909
Due to related party	13	**16,702,918**	19,629,044
		17,146,941	20,447,953
Total liabilities		**17,163,055**	20,458,738
Total Equity and liabilities		**51,934,288**	51,748,778

The accompanying notes form an integral part of these financial statements

Saud Abdulaziz Saud Albabtin
Chairman

Abdulhadi Bou Sakhr
Managing Director

Income Statement

For the year ended December 31, 2006

(All amounts are in Kuwaiti Dinars)

Exhibit - B

	Note	2006	The period from May 17, 2004 to December 31, 2005
Income			
Sales		**75,170,786**	42,674,022
Cost of Sales	13	**(65,548,926)**	(37,211,747)
Operating expenses	14	**(6,313,236)**	(3,506,243)
Gross profit		**3,308,624**	1,956,032
Interest income		**1,316,537**	1,135,019
Other income		**229,389**	44,668
Total income		**4,854,550**	3,135,719
Expenses			
Transitional period expenses	15	**-**	1,211,485
General and administrative expenses	16	**1,204,246**	594,884
Total expenses		**1,204,246**	1,806,369
Net profit before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour support Tax and board of Directors remuneration		**3,650,304**	1,329,350
Contribution to Kuwait Foundation for the Advancement of Sciences "KFAS"		**32,853**	11,964
National Labour support Tax		**91,258**	-
Board of Directors remuneration		**45,000**	-
Net profit for the year/period		**3,481,193**	1,317,386
Earnings per share (fils)	17	**11.61**	4.40

The accompanying notes form an integral part of these financial statements

Statement of changes in equity

For the year ended December 31, 2006

(All amounts are in Kuwaiti Dinars)

Exhibit – D

	Share capital	Statutory Reserve	Voluntary Reserve	Retained Earnings	Total
Paid up share capital	29,972,654	-	-	-	**29,972,654**
Net profit for the period	-	-	-	1,317,386	**1,317,386**
Total recognized profit for the period	-	-	-	1,317,386	**1,317,386**
Transferred to reserves	-	132,935	132,935	(265,870)	**-**
Balance at December 31, 2005	29,972,654	132,935	132,935	1,051,516	**31,290,040**
Balance at January 1, 2006	29,972,654	132,935	132,935	1,051,516	31,290,040
Net profit for the year	-	-	-	3,481,193	3,481,193
Total profit recognized for the year	-	-	-	3,481,193	3,481,193
Transferred to reserves	-	365,030	365,030	(730,060)	-
Balance at December 31, 2006	**29,972,654**	**497,965**	**497,965**	**3,802,649**	**34,771,233**

The accompanying notes form an integral part of these financial statements

Statement of Cash Flow

For the year ended December 31, 2006

(All amounts are in Kuwaiti Dinars)

Exhibit - C

	Note	2006	The period From May 17, 2004 to December 31, 2005
Cash flows from operating activities			
Net profit for the year / period		**3,481,193**	1,317,386
Adjustments			
Depreciation		**1,781,905**	**2,210,343**
End of service indemnity		**5,329**	10,785
Interest income		**(1,316,537)**	(1,135,019)
Operating profit before changes in working capital		**3,951,890**	2,403,495
Inventories		**(40,616)**	(345,326)
Receivables and other debit balances		**(1,596,941)**	(373,498)
Term deposits		**(7,994,465)**	(12,359,387)
Payables and other credit balances		**(383,061)**	818,909
Due to related party		**(2,926,126)**	7,964,877
Net cash used in operating activities		**(8,989,319)**	(1,890,930)
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		**(219,756)**	(4,198,574)
Payment for purchase of intangible assets		**-**	(12,300,333)
Work in progress		**(376,911)**	(141,449)
Available for sale investments		**(210,000)**	-
Interest income		**1,059,306**	1,023,133
Net cash from resulted (used in) investing activities		**252,639**	(15,617,223)
Cash flows from financing activities			
Proceeds from share capital		**-**	29,972,654
Net cash resulted from financing activities		**-**	29,972,654
Net (decrease) / increase in cash and cash equivalent		**(8,736,680)**	12,464,501
Cash and cash equivalent at beginning of the year / period		**12,464,501**	-
Cash and cash equivalent at end of the year / period	8	**3,727,821**	12,464,501

The accompanying notes form an integral part of these financial statements

1. Status and activities

Oula Fuel Marketing Company K.S.C ("the Company") is a Kuwaiti shareholding company incorporated on 17 May 2004, as per the Amiri Decree No. 152, for the year 2004 and was registered under the commercial registeration No. 40 on 17 May 2004.

The Company was incorporated to conduct the following activities:
- Acquisition, holding, establishing, leasing, operating, and maintenance of fuel stations;
- Establishing, developing, operating and maintenance of customer service centers at fuel stations and to provide all car services including changing oil, car wash, maintenance workshop services and technical check-up;
- Provide filling and storing fuel service;
- Shipment services and trading in the petroleum products by sale or purchase in bulk or retail.
- Purchase, lease, acquisition, and sale of land and real estates in different locations in order to achieve the Company's objectives mentioned above.

During the year, the company has purchased investments and classified as Investments available for sale as at December 31, 2006. This activity is not considered as a part of the company's activities mentioned above.

The total number of employees as at December 31, 2006 87 employees (as at December 31, 2005: 58).

The Company's head office located in Alqebla area, P.O. Box 29009, Safat 13151, State of Kuwait.

The financial statements were authorized for issue by the board of directors on 12 March 2007. The shareholders of the Company have the power to amend these financial statements at the annual general assembly meeting.

2. Significant accounting policies

2/1) Basis of presentation

These financial statements have been prepared to present information in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee and State of Kuwait Commercial company's law requirements.

These financial statements are prepared under the historical cost convention, modified by the revaluation of investments available for sale.

The financial statements have been presented in Kuwaiti Dinars.

During the year some of new international financial reports standards were issued together with some new modifications by the International Financial Reporting Interpretations committee.

- Amendments and modifications effective to the year ended December 31, 2006.
  The company applied all modifications and changes related to activities and the most important modifications related to the IAS (39) however there is no material impact on the financial statements of the company due to such application.

- Standards amendments, and interpretations related to the activities of the company, that are not applicable and the company has not applied them.
  - IFRS (7), Financial Instruments: "Disclosures"
  - IAS (1), Presentation of financial statements – Capital Disclosures.
  - IFRIC (8), Scope of IFRS (2)
  - IFRIC (10), Interim financial statements and on Impairment loss.

IFRIC (7) effective as from the following financial year will and result in modification and the addition of disclosures related to the financial instruments and an related risks implementation of such modifications and other interpretations referred to above are not expected to result in material impact on the company's financial statements.

2/2) Recognition and de-recognition of financial assets and liabilities

A financial assets or a financial liability is recognized when the Company become a party to the contractual provisions of the instrument. A financial asset is de-recognized either when the contractual rights to cash flows from the financial assets have expired, the company has transferred substantially all the risks and rewards of ownership of when it has neither transferred no retained substantially all the risks and rewards, but no longer has control over the asset or a proportion of the asset. A financial liability is de-recognized when the obligation specific in the contract is discharged, cancelled or expired.

2/3) Property plant and equipment

Property plant and equipment are stated at the historical cost less accumulated depreciation. The realizable values of property plant and equipment are reviewed by the management at each balance sheet date to determine whether the book value exceeds the realizable value in which case the book value is written down to the realizable value. If the useful lives of property plant and equipment are different from the estimated lives of those assets, then the useful lives are adjusted from the beginning of the year in which the change occurred in without going into retroactive periods.

Property plant and equipment are depreciated by using the following equations:

Fuel stations	1 Year
Furniture and Decoration	4 Years
Computers	4 Years
Machinery and Equipment	4 Years

2/4) Available for sale investments

Investments are initially recognized at cost, being the fair value of the consideration given including acquisition costs associated with the investments. After initial recognition, investments are remeusuered at fair value.

For queted investments, fair value is determined by reference to the last quoted bid price at the close of business on the balance sheet date.

For un equeted investments, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected cash flows or the underlying net asset base of the investments. Investments whose fair value cannot be reliably measured are carried at cost.

The gains or losses arising from changes in fair value of investments held for trading are included in the statement of income for the year. Gains or losses arising from changes in fair value of available for sale investments are recognized directly in equity in the "fair value reserve" until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized in the "fair value reserve" is included in the statement of income for the year.

2/5) Intangible assets

Business combination has been accounted for by applying the purchasing method. Intangible assets comprise of goodwill and other intangible assets being the excess of cost of the acquisition over the fair value of the identifiable net assets acquired, determined provisionally at the date of acquisition. The Company will recognize adjustments, if any, to the provisional value as a result of completing the initial accounting within twelve months of the acquisition date. Goodwill and intangible assets with an indefinite useful life are not amortised but are systematically tested for impairment at each balance sheet date. Intangible assets with finite life are amortised over their useful life on a straight line basis from the using date.

2. Significant accounting policies (Continued)

2/6) Inventories

Inventories are stated at the lower of cost and net realizable value after making allowance for any slow moving, obsolete or damaged items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Cost of inventories is determined using the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

2/7) Receivables and other debit balances

Receivables are stated at their nominal value, less an allowance for any doubtful debts. Management determines the adequacy of the allowance based upon reviews of individual customers, current economic conditions, past experience and other pertinent factors.

2/8) Impairment

Property, plant and equipment, receivables, intangible assets and avitable for sale investments are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is determined as follows:

Property, plant and equipment

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income.

The recoverable amount of assets is the highment of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Receivables

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Available for sale investments

An investment is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset, or a company of financial assets, may be impaired. In the case of financial asset classified as available for sale, a significant or prolonged decline in the fair value of assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income, is removed from equity and recognized in the statement of income. Impairment losses recognized in the statement of income on available for sale financial asset are not reversed through the statement of income.

Intangible assets with finite life

Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which these are separately identical cash flows (cash-generating units).Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2/9) Payables and other credit balances

Payables and other credit balances are stated at their nominal value.

2/10) Provision for employees' end of service indemnity

Provision is established for employees' end of service indemnity in accordance with the Kuwaiti Labor Law or on the basis of employees contracts, where such contracts provide extra benefits. The provision which is unfunded is determined as the amount payable to employees as a result of involuntary termination of employment as of the balance sheet date.

2/11) Other provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risk specific to the liability.

2/12) Revenue recognition

Revenue from sale of petrol is recognized when the process of selling is completed.

In relation to revenue from rendering of services, revenue is recognized in the statement of income with reference to the stage of completion of the transaction at the balance sheet date, Revenue is recognized when no significant uncertainties remain concerning the derivation of consideration or related costs.

Interst income from term deposits are recognized on accrual bases.

2/13) Cash and cash equivalents

Cash and cash equivalents represent cash on hand, and at banks. For the purpose of cash flow statement, deposits which mature within a period less than three months from the balance sheet date have been considered as cash and cash equivalents.

2/14) Leased assets

The company is the lessee operating leases are charged to the statement of income on a straight-line basis over the period of lease.

2. Significant accounting policies (Continued)

2/15) Foreign currencies

Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rate of exchange prevailing on the balance sheet date. Resulting gains or losses on exchange are recorded as part of the results for the year. Non-monetary assets and liabilities denominated in foreign currency, which are stated at historical cost or amortised cost are recorded at the exchange rate ruling at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined.

2/16) Contingencies

Contingencies liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but disclosed when an inflow of economic benefits is probable.

2/17) Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

Judgments:

Investments classification
Management, has to decide on acquisition of financial instrument whether is should be classified as carried at fair value through statement of income or available for sale in making the judgment the Company considers the primary pupose and how it intendes to manage the investment and its porformance. Whether they will be measured subsequently at least at fair value, and weather the changes in the instruments fair value will be recognized in the statement of income or directly in equity.

Impairment
Where there is a significant or prolonged in quoted available for sale investments, the management uses estimations and objective evidence to assess whether impairment exist.
The Company assesses at each balance sheet dates assesses whether there is an impairment on available for sale investments.
The determination of the impairments requires management to make significant assessments on reasonable basis including assessment factors such as industry nature and market conditions.

Sources of estimation uncertainty:

Accounts Receivable
The Company periodically reviews the doubtful debt provision for any impairment loss to be charged to the statement of income. In this regard, the management is required to use critical assumptions for the expected cash flow values and timing. These expectations are essential in the circumstances of uncertainty and appropriateness of expectation.

Useful lives for Property, plant and equipments

The management of the Company determines the productive useful lives and deprecation of property, plant and equipment. The management either increases the deprecation charges when the estimated useful lives decrease than the previous estimation or eliminate or decrease the value of obsolete assets or none strategic assets that will be disposed or sold.

Fair values – of unquoted, equity investments securities

Valuations techniques of unquoted equity investments is in which estimates are used representing the expected cash flows discount rates, return trades, adjusted local market prices, credit risks, related costs and other valuations techniques leased by the prices generally.

Significant judgments in applying the Company's accounting polices

Impairment loss on available for sale investments

The company's follows IAS (39) guidelines when determining whether there is impairment of the requires making financial judgment by the available for sale investments. In making such judgment, the Company assesses the extent of impairment management. Period for the fair value below the cost in addition to other factors including the financial positions of the investee, including performing rate of the industry and sector to which the investee belongs, the extent of technology changes and cash flows from operating and financing activities.

3. Property, plant and equipment

	Stations fuel	Furniture and decoration	Computers	Machinery and equipment	Work in progress	Total
Cost						
At January 1, 2006	3,858,000	119,275	191,534	29,765	141,449	4,340,023
Additions during the year	-	24,730	44,058	159,143	376,911	604,842
At December 31, 2006	**3,858,000**	**144,005**	**235,592**	**188,908**	**518,360**	**4,944,865**
Accumulated depreciation						
At January 1, 2006	2,189,299	4,976	13,809	2,259	-	2,210,343
Charge for the year	1,668,660	33,509	54,672	25,064	-	1,781,905
At December 31, 2006	**3,857,959**	**38,485**	**68,481**	**27,323**	**-**	**3,992,248**
Net book value						
At December 31, 2006	**41**	**105,520**	**167,111**	**161,585**	**518,360**	**952,617**
At December 31, 2005	1,668,701	114,299	177,725	27,506	141,449	2,129,680

- Fuel stations are erected on land leased from the Government of Kuwait, during the year transferred and registered into the Companys' name
- Depreciation for the year is allocated in the statement of income as follows:

	2006	2005
Operating expenses - (Note 14)	**1,686,216**	2,189,299
General and administrative expenses - (Note 16)	**95,689**	21,044
	1,781,905	2,210,343

4. Intangible assets

Intangible assets represents the excess of cost of acquiring the local fuel marketing activity including fuel stations, over the fair value of the identifiable net assets acquired as below:

	2006	2005
Cost of acquisition	**27,700,000**	27,700,000
Fair value of identifiable net assets and liabilities	**(3,735,500)**	(3,735,500)
	23,964,500	23,964,500

During the year the company has evaluated the assets through an independent evaluator to determine the fair value of the assets purchased and resulted no differences between the purchased value and the fair value of the assets as at 31 December 2006. The purchased assets fair value consist of Leasehold rights amounting to KD 22,178,410, commercial license amounting to KD 1,674,975, and Goodwill amounting to KD 111,115.

5. Available for sale investments

The available for sale investments represents the Company's holding in private company (unquoted security) for which the fair market value is not available; as such, this investment is carried at cost. The fair market value of this investment is not significantly different from its carrying value.

6. Receivables and other debit balances

	2006	2005
Trade receivables	**1,486,515**	661
Prepaid expenses	**430,206**	357,340
Refundable deposits	**11,700**	11,700
Accrued interest	**369,117**	111,886
Other debit balance	**42,018**	3,797
	2,339,556	485,384

Trade receivables represent two companies which are used to deal with Kuwait National Petroleum Company, the main supplier of the company in the previous year. During this year this dealing was directly with the company.

7. Term deposits

This represents the balance of deposits maturing during a period exceeding three months from the placement date. The average effective interest rate on term deposits was ranged from 4.25% to 7.5% as at 31 December 2006 (from 4.25% to 4.5% as at 31 December 2005).

8. Cash and cash equivalents

	2006	2005
Cash on hand	**774,459**	912,125
Cash at bank	**1,653,362**	1,307,336
Term deposits (less than 3 months)	**1,300,000**	10,245,040
	3,727,821	12,464,501

The average effective interest rate on term deposits was 4.75% as at December 31, 2006 (4.25% as at 31 December 2005).

9. Share capital

On June 7, 2006, the extraordinary General Assembly of the company has decided to amend article No.7 of the Articles of Association and article No.6 of the Articles of Association related to the share capital. Accordingly the capital of the company is determined to be KD 29,972,654 divided into 299,726,540 shares of on 100 fils each. All share are paid-up in cash. Currently, official procedures to obtain the approval on these amendments in the commercial register are in process.

10. Statutory reserve

In accordance with the Commercial Companies Law as and the Company's memorandum and Articles of Association, 10% of the net profit for the year, before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour support Tax and Directors remuneration is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. This reserve is not available for distribution but may be used to secure dividends to the shareholders (equals to 5 %) in the years where the Company's profits do not secure such dividends.

11. Voluntary reserve

In accordance with the Company's memorandum of Association, it is allowed to transfer a percentage of the net profit for the year to the voluntary reserve this transfer could be discontinued by a decision from the general assembly based on suggestions from the board of directors. The board of directors decided to transfer 10% of the net profit of the year from net profits before Kuwait Foundation for the Advancement of Sciences contribution and the Board of Directors' remuneration to voluntary reserve as at December 31, 2006 (10% as at December 31, 2005).

12. Payables and other credit balances

	2006	2005
Trade payable	**24,974**	699,204
Accrued expenses	**55,716**	-
Staff leave	**33,642**	21,891
Board directors remuneration	**45,000**	-
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")	**44,817**	11,964
National Labour support Tax	**91,258**	-
Other credit balances	**12,075**	-
Notes payable	**136,541**	85,850
	444,023	818,909

13. Related party transactions

Related parties primarily comprise of shareholders, directors and key management personnel of the Company, their families and companies of which they are principal owners. All related party transactions are carried out on terms approved by the Company's management.

The following is a summary of significant related party transactions:

Balance sheet:	**2006**	**2005**
Available for sale investments	**210,000**	-

	2006	2005
Purchase of fuel	**9,780,416**	7,964,876
Outstanding from equipment and goodwill	**6,922,502**	11,664,168
Directors remuneration	**45,000**	-

Fuel is purchased from Kuwait National Petroleum Company and the total cost of such purchases for the year ended December31, 2006 was KD 65,548,926 (31 December 2005 was KD 37,211,747).

14. Operating expense

	2006	The period from May 17, 2004 to December 31, 2005
Depreciation	**1,686,216**	2,189,299
Management expenses	-	808,278
Salaries, wages and other benefits	**358,897**	44,830
Bank charges	-	83,340
Rents	**702,029**	147,281
Insurance	**6,754**	18,823
Management of stations contract	**2,677,977**	83,650
Cleaning	**42,341**	14,195
Consultancy and designing expenses	**130,019**	-
Transportation expenses	**298,880**	-
Others	**410,123**	116,547
	6,313,236	3,506,243

15. Transitional period expenses

These are expenses incurred by Kuwait National Petroleum Company and reimbursed by the Company for the period from June to August 2005.

16. General and administrative expenses

	2006	The period from May 17, 2004 to December 31, 2005
Salaries, wages and other cost benefits	**619,427**	254,739
Consultancy expenses	**144,577**	185,026
Lease charges	**120,116**	21,375
Depreciation	**95,689**	21,044
Bank charges	**-**	26,175
Promotion and Advertising	**59,222**	-
Insurance expenses	**47,439**	-
Office equipments	**46,455**	-
Traveling expenses	**-**	29,055
Others	**71,321**	57,470
	1,204,246	594,884

17. Earnings per share

Earnings per share is calculated by dividing net profit for the year by the weighted average number of shares outstanding during the year.

	2006	2005
Net profit	**3,481,193**	1,317,386
Number of outstanding shares (share)	**299,726,550**	299,726,550
Earnings per share (fils)	**11.61**	4.40

18. Financial instruments

The Company in the normal course of business uses various types of financial instruments. Information on financial risks and fair value of these financial instruments is set out below.

a) Risks related to financial instruments

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial risk. Financial assets which potentially subject the Company to credit risk consist principally subject cash at banks, term deposit and receivables. The bank balances and the term deposit are placed with high credit rating, financial institutions. The bank balances are disbursed across several financial institutions and local banks in order not to concentrate on one bank. Receivables are present net of allowance for doubtful debt if any. Credit risk with respect to receivables is limited due to the large number of customers.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and for managing these risks, the company evaluate the financial availability for it's clients periodically.

18. Financial instruments (Continued)

a) Risks related to financial instruments (Continued)

Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are re-priced or matured are indicated in the respective notes.

Foreign currency risk

Represents the risk of variation in exchange rate which may affect adversely the Company's cash flows or assets and liabilities values dominated in foreign currencies. The management believes that there is minimal risk of significant losses due to exchange rate fluctuation and consequently the Company held foreign currency exposure (if any).

b) Fair value of financial assets and liabilities

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair value of financial assets and liabilities that are not carried at fair value at the balance sheet date (receivables and other debit balances, cash and cash equivalents, term deposits, payables, other credit balances and due to related parties) are not materially different from their carrying values.

19. Contingent liabilities and commitments

	2006	2005
Letters of guarantee	**13,850,000**	13,900,000
Unsettled portion from the purchase & development of a computer software	**-**	187,598

20. Proposed cash dividend

The Board of Directors suggested to not propose dividends for the year ended 31 December 2006 (2005: nil). The above is subject to the approval of The Shareholders' General Assembly meeting in for the year 2006.

21. Segment information

The main activity of the company in State of Kuwait is marketing of petrol, except for Investments available for sale amounted of KD 210,000. Most of the company's assets and liabilities are mainly located in Kuwait.

22. Comparative figures

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

Contact Guide

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