Annual Report 2008

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Oula Local Fuel Marketing Company

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


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BOARD OF DIRECTORS

Saud Abdul-Aziz Al-Babtain	Chairman
Mahdi Mahmoud Haider	Deputy Chairman
Abdulhadi Abdullah Busakher	Managing Director
Mohammad Oqab Al-Khateeb	Board Member
SK. Talal Khaled Al-Ahmed Al-Sabah	Board Member
Mrs. HANA Abdul Rahman Al-Sumaie	Board Member
Ahmad Abdul-Aziz Al-Ghannam	Board Member
Mohannad Mohammad Al-Kharafi	Board Member
Mazen Ali Al-Khateeb	Board Member

Oula Local Fuel Marketing Company

BOARD OF DIRECTORS REPORT

Dear Shareholders,

On behalf of myself, and my colleagues, the Board Members, I have the pleasure to welcome you, and present the Financial Report of Oula Local Fuel Marketing Company, highlighting the major achievements of the Company during the financial period ended 31/12/2008.

It gives me honor to briefly review the Company's financial results and activities, as well as its future projects. The Company posted net total income of KD 11.628 million, reporting a net profit of KD 3.195 million. Total expenses amounted to KD 8.433 million, and assets totaled KD 46.499 million. Shareholders' equity amounted to KD 38.927 million, while total liabilities amounted to KD 7.572 million, and earnings per share stood at 10.66 Fils. In light of the above, the Board of Directors recommended cash dividend of 10% of the nominal value per share (10 Fils per share).

Major Projects Completed:

1. The Construction of the new fuel station at Mubarak Al-Abdulla Area has been completed, and the opening will take place soon. The station is equipped with state-of-the-art services and devices. Construction of Kabad and West Shuaiba stations is also in the final stages. Both stations are designed to contemporary standards. We hope the construction works will be completed during 2009. Moreover, we are in the process of obtaining the licenses from the official authorities, to add other services to the current stations.
2. Provision of oil change services.
3. Provision of "Ultra" product in all the following stations: Omariyah, Jahra, Qurain, Daiyah, Qurtoba, Shuwaikh (Vegetable Market), Sixth Ring Road, Maseelah, Mubarak Al-Abdullah, Sabah Al-Salem, Um Al-Haiman, Jabriyah, South Surrah, Shuwaikh (Jamal Abdul Naser Street), Sharq (Istiqlal Road).
4. Provision of auto car wash service in all the following stations: Salmiyah, Jahra, Daiyah, Mubarak Al-Abdulla, Qurtoba, Sixth Ring Road, Salmiyah (Fifth Ring Road), Shuwaikh (Jamal Abdul Naser Street).

Major Projects Planned include:

1. Provision of maintenance, repair, and technical check-up workshops.
2. Acquisition was made of a stake in Petronet Company to provide better future services to "Oula" cardholders.
3. Establishing a series of mini marts for the convenience of customers.
4. Providing mobile phone services: bill payment, line purchase, mobile phone repair, etc.

On behalf of myself, and the Board of Directors, I would like to seize this opportunity to extend our thanks and gratitude to all government and private institutions, for their fruitful cooperation and constant support to the Company.

I would also like to extend our thanks and appreciation to our shareholders for their confidence. We re-iterate our commitment to exert relentless efforts towards realizing their interests and growing their investments, in line with a clear, in-depth strategic plan.

In conclusion, we extend our thanks and appreciation to all our employees for their sincere efforts and dedication, urging them for more commitment and hard work towards optimally achieving the Company's goals.

Chairman
Saud AbdulAziz Al Babtain

Oula Local Fuel Marketing Company

Oula Fuel Marketing Company K.S.C
And its subsidiary
State of Kuwait

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008
With
INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
OULA FUEL MARKETING COMPANY K.S.C - STATE OF KUWAIT

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Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Oula Fuel Marketing Company K.S.C. ("the Parent Company") and its subsidiary (together referred to as "the Group") which comprise of the consolidated balance sheet as at December 31, 2008, and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Parent Company's management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2008, and of its financial 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 Parent Company, the inventory was duly carried out and the consolidated financial statements, together with the information given in the board of directors' report agree with the books of account. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements include the information required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's articles of association. We have not become aware of any contravention, during the year ended December 31, 2008, of the Commercial Companies Law of 1960, as amended, nor of the Parent Company's articles of association, that would materially affect the Group's activities or its financial position.

Ali A. Al Hasawi
Licence No. 30 - (A)
Rödl Middle East
Burgan – International Accountants
March 15, 2009
State of Kuwait

Qais M. Al-Nisf
Licence No. 38 "A"
Of Moore Stephens International
Al Nisf & Partners
Member firm of Moore Stephens International

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2008

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	Note	**2008**	2007
Assets			
Non-current assets			
Property, plant and equipment	4	**3,957,248**	2,127,164
Intangible assets	5	**23,964,500**	23,964,500
Available for sale investments	6	**4,347,144**	2,739,500
Murabaha investments	7	**1,500,000**	-
Investment in associate	8	**466,250**	-
		34,235,142	28,831,164
Current assets			
Inventory		**324,371**	320,957
Accounts receivable and other debit balances	9	**1,357,569**	1,324,218
Term deposits	10	**3,030,000**	16,308,056
Cash and cash equivalents	11	**7,551,721**	4,324,395
		12,263,661	22,277,626
Total assets		**46,498,803**	51,108,790
Equity and Liabilities			
Equity			
Share capital	12	**29,972,654**	29,972,654
Statutory reserve	13	**1,259,477**	921,135
Voluntary reserve	14	**1,259,477**	921,135
Changes in fair value reserve		**(81,664)**	94,378
Retained earnings		**6,517,169**	6,996,603
Total Equity		**38,927,113**	38,905,905
Non-current liabilities			
Provision for end of service indemnity		**105,176**	60,870
		105,176	60,870
Current liabilities			
Accounts payable and other credit balances	15	**1,491,715**	789,061
Due to related parties	16	**5,974,799**	11,352,954
		7,466,514	12,142,015
Total liabilities		**7,571,690**	12,202,885
Total equity and liabilities		**46,498,803**	51,108,790

Saud Abdul-Aziz Al-Babtain
Chairman

Abdulhadi Abdullah Busakher
Managing Director

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2008

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	Note	**2008**	2007
Revenues			
Sales		**78,633,610**	73,948,983
Cost of sales		**(68,568,508)**	(64,483,506)
Operating expenses	17	**(4,833,203)**	(4,810,128)
Gross profit		**5,231,899**	4,655,349
Impairment of available for sale investments	6	**(1,400,485)**	-
Loss from sale of available for sale investments		**(220,108)**	(203)
Cash dividends		**154,726**	-
Loss from disposal of property, plant and equipment		**-**	(61,535)
Deposit income		**917,788**	1,241,546
Other income		**490,252**	280,812
General and administration expenses	18	**(1,790,653)**	(1,884,268)
Profit for the year before Kuwait Foundation for Advancement of Science, National Labor Support Tax ("NLST"), Zakat and Board of Directors Remuneration		**3,383,419**	4,231,701
Contribution to Kuwait Foundation for Advancement of Science		**(30,451)**	(38,028)
National Labor Support Tax ("NLST")		**(80,967)**	(105,793)
Provision of Zakat	19	**(32,486)**	(2,586)
Board of Directors Remuneration		**(45,000)**	(45,000)
Profit for the year		**3,194,515**	4,040,294
Earnings per share	20	**10.66 (Fils)**	13.48 (Fils)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	2008	2007
Cash flows from operating activities		
Profit for the year	**3,194,515**	4,040,294
Adjustments		
Depreciation	**271,670**	215,580
Impairment of available for sale investments	**1,400,485**	-
Loss from sale of available for sale investments	**220,108**	203
Cash dividends	**(154,726)**	-
Deposit income	**(917,788)**	(1,241,546)
Provision for end of service indemnity	**51,138**	44,756
Loss from disposal of property, plant and equipment	**-**	61,535
Operations profit before changes in working capital	**4,065,402**	3,120,822
Inventory	**(3,414)**	64,985
Accounts receivable and other debit balances	**55,979**	736,221
Accounts payable and other credit balances	**100,206**	345,038
Due to related parties	**(5,378,155)**	(5,349,964)
End of service indemnity paid	**(6,832)**	-
Net cash used in operating activities	**(1,166,814)**	(1,082,898)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,101,754)**	(1,451,662)
Investment in associate	**(466,250)**	-
Available for sale investments – Net	**(4,759,553)**	(2,435,325)
Term deposit	**13,278,056**	4,594,807
Deposit income received	**828,458**	971,652
Cash dividends received	**10,000**	-
Net cash from investing activities	**6,788,957**	1,679,472
Cash flows from financing activities		
Cash dividends paid	**(2,394,817)**	-
Net cash used in financing activities	**(2,394,817)**	-
Net increase in cash and cash equivalents	**3,227,326**	596,574
Cash and cash equivalents at beginning of the year	**4,324,395**	3,727,821
Cash and cash equivalents at end of the year	**7,551,721**	4,324,395

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2008

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	Share capital	Statutory reserve	Voluntary reserve	Change in fair value reserve	Retained earnings	Total
Balance at January 1, 2007	29,972,654	497,965	497,965	-	3,802,649	34,771,233
Change in fair value of available for sale investments	-	-	-	94,378	-	94,378
Recognized profit in equity directly	-	-	-	94,378	-	94,378
Profit for the year	-	-	-	-	4,040,294	4,040,294
Net recognized income during the year	-	-	-	94,378	4,040,294	4,134,672
Transferred to reserves	-	423,170	423,170	-	(846,340)	-
Balance at December 31, 2007	29,972,654	921,135	921,135	94,378	6,996,603	38,905,905
Balance at January 1, 2008	29,972,654	921,135	921,135	94,378	6,996,603	38,905,905
Change in fair value of available for sale investments – net	-	-	-	(176,042)	-	(176,042)
Recognized profit in equity directly	-	-	-	(176,042)	-	(176,042)
Profit for the year	-	-	-	-	3,194,515	3,194,515
Net recognized income during the year	-	-	-	(176,042)	3,194,515	3,018,473
Cash dividends for the year 2007	-	-	-	-	(2,997,265)	(2,997,265)
Transferred to reserves	-	338,342	338,342	-	(676,684)	-
Balance at December 31, 2008	**29,972,654**	**1,259,477**	**1,259,477**	**(81,664)**	**6,517,169**	**38,927,113**

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and principal activities

Oula Fuel Marketing Company K.S.C ("the Parent 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 registration No. 40 on 17 May 2004.

The Group comprises the Parent Company and its subsidiary. Details of the subsidiary is set out in Note 3.3.

The main objectives of the Parent Company are to provide the following services:

- Acquiring, holding, establishing, leasing, operating, and the maintenance of petrol stations.
- Establishing, developing, operating and the maintenance of customer service centres 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.
- 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 Parent Company's objectives as mentioned above.
- Using financial surplus available to the Group in investments of finance portfolios managed by specialized companies.

The Parent Company's share was listed on the Kuwait Stock Exchange on 18 December 2006.

The head office of the Parent Company is located in Alqebla area, P.O. Box 29009, Safat 13151, State of Kuwait.

The consolidated financial statements of the Group for the year ended December 31, 2008 were authorized for issue by the board of directors on March 15, 2009 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the Annual General Assembly.

2. Adoption of new and revised standards and interpretations

Standards and interpretations effective during the year:

- IFRIC 11 IFRS 2: Group and Treasury Share Transactions.
- IFRIC 12: Service Concession Arrangements.
- IFRIC 13: Customer Loyalty Programmes.
- IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction.
- IAS 39 (Revised): Financial Instruments – Recognition and Measurement.
- IFRS 7 (Revised): Financial Instruments – Disclosures.

The adoption of these standards and interpretation has not led to any changes in the Group's accounting policies.

Standards and interpretation issued but not yet adopted

The following represents new and revised issued standards and interpretations but not yet effective:

Standards and interpretations effective for annual periods beginning on or after January 1, 2009:

- IAS 1 (Revised): Presentation of Financial Statement
- IAS 19 (Revised): Employee Benefits
- IAS 23 (Revised): Borrowing Costs
- IAS 28 (Revised): Investments is Associates
- IAS 32 (Revised): Financial Instruments Presentation
- IAS 36 (Revised): Impairment of Assets
- IAS 38 (Revised): Intangible Assets
- IAS 39 (Revised): Financial Instruments - Recognition and Measurement
- IAS 40 (Revised): Investment Property
- IAS 41 (Revised): Agriculture
- IFRS 2 (Revised): Share-Based Payments
- IFRS 8: Operating Segments

Standards and interpretations effective for annul periods beginning on or after July 1, 2009:

- IAS 27 (Revised): Consolidated and Separate Financial Statement
- IFRS 3 (Revised): Business Combination
- IFRS 5 (Revised): Non-current Assets Held for Sale and Discontinued Operations

The management of the Group anticipates that the adoption of these standards and interpretations will not have a material financial impact on the consolidated financial statement of the Group in the period of initial application.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are as follows:

3/1. Basis of preparation

- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Commercial Company's Law requirements.
- The accounting policies have been consistently applied during the year, as a similar base for the policies applied in the previous year, except for the adoption of (Note 2).

3/2. Accounting convention

- These consolidated financial statements are prepared under the historical cost convention, adjusted through the revaluation of some assets according to fair value as explained in detail in the accompanying policies and disclosures.
- The consolidated financial statements are presented in Kuwaiti Dinar.

3. Significant accounting policies - (Continued)

3/3. Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary ("the group").

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities. The financial statements of subsidiaries, other than those which are held with a view to disposal within twelve months are included in the consolidated financial statements on a line by line basis from the date that control effectively commences until the date that control effectively ceases. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Name of Subsidiaries	Shareholding (%)	Country of incorporation
Oula National Market Services K.S.C. (Closed)	100%	State of Kuwait

3/4. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the parent company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of income.

3/5. Investment in associates

Associates are those enterprises in which the company has significant influence, but not control, over the financial and operating policies.

The financial statements include the company's share of the total recognized gains and losses of associates, under the equity method of accounting, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealized gains arising from transactions with associations are eliminated against the investment in the associate, to the extent of the company's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist.

3/6. De-recognition of financial assets and financial liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired, or
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts recognized in the profits or losses.

3/7. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income in the period in which they occur.

Property, pant and equipment are depreciated by using the following rates:

3. Significant accounting policies - (Continued)

3/7. Property, plant and equipment - (Continued)

Fuel stations	15 years
Furniture and Decorations	4 years
Computers	4 years
Machinery and equipment	4 years

3/8. Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated impairment losses. The useful lives of the intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.

If the carrying value of the intangible asset is more than the recoverable amount, the intangible asset is considered impaired and is written down to its recoverable amount.

The excess of carrying value over recoverable amount is recognised in the consolidated statement of income.

3/9. Impairment of tangible and intangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, Group assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

Impairment losses are recognized immediately in the consolidated statement of income.

3/10. Financial instruments

Classification

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instrument at initial recognition and re-evaluates this designed every reporting date. The Group has classified its financial instruments as follows:

Receivables

There are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods and services directly to a debtor with no intention of trading the receivables.

Available for sale

These are non derivative financial assets that are either designated in this category or not included in any of the above categories and are principally, those acquired to be held, for an indefinite period of time which could be sold when liaudity is needed or upon changes in rates of profit.

Recognition and de-recognition

Regular purchase and sale of financial assets are recognized on settlement date – the date on which the Group delivers or receives the asset. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets are initially recognized at fair value plus transaction cost for all financial.

Subsequently, investment available for sale and financial assets at fair value through income statement are carried at fair value, receivable are carried at amortized cost using the effective yield method.

Changes in the fair value of financial assets classified as available for sale investments are recognized in equity, when available for sale financial assets are sold or impaired, the accumulated changes in fair value recognized in equity are included in the consolidated statement of income.

Fair values

The fair values of financial instruments in regular financial market are based on closing bid prices at the balance sheet date.

For the unquoted investment, the group establishes fair value by reference to other that are substantially the same, or by using the expected discounted cash flow analysis after adjustment to reflect the same circumstances of the issuing company available for sale investments, which its fair value have not been determined are carried at cost less impairment losses.

Impairment in value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale

3. Significant accounting policies - (Continued)

3/10. Financial instruments - (Continued)

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 profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

A specific provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts of receivable. The amount of the specific provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the effective rate of return. The amount of the provision is recognized in the income statement.

3/11. Inventories

Inventories are stated the at the lower of cost and net realizable value after making allowance for any slow moving and obsolete stocks. The cost of the inventories is based on the average cost.

3/12. Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3/13. Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the balance sheet date, and approximates the present value of the final obligation.

3/14. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by the such parties.

All related party transactions are conducted on an arm's length basis and are approved by management.

3/15. Revenue recognition

- Revenue is recognized for sales when the significant risks and rewards are transferred to the buyer, and no significant uncertainties remain regarding the derivation of consideration, associated or the possible return of goods.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the

effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

- Dividend income is recognized when the Group>s right to receive payment has been established.
- Other categories of income are recognized when earned, at the time the related services are rendered and/ or on the basis of the terms of the contractual agreement of each activity.

3/16. Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3/17. Foreign currency translation

Foreign currency transactions are recorded in Kuwaiti Dinars at the rates of exchange prevailing at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated to Kuwaiti Dinars at the rate of exchange prevailing on the consolidated 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, 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 KD at the foreign exchange rates ruling at the dates that the values were determined.

3/18. Dividends

Dividends are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

3/19. Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, business segment or providing products or services within a particular economic environment, geographical segment, where it is subject to risks and rewards that are different from other segments.

3/20. Significant accounting judgements and estimation uncertainty

Accounting judgements:

In the process of applying the Group's accounting policies, management has used judgments in the consolidated financial statements.

3. Significant accounting policies - (Continued)

3/20. Significant accounting judgements and estimation uncertainty - (Continued)

Impairment of investments:

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Investment classification:

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, or available for sale.

Classification of investments as investments at fair value through statement of income depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through statement of income. All other investments are classified as available for sale.

Estimation uncertainty:

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity instrument is normally based on one of the following recent arm's length market transactions:

- Fair value of other similar instruments
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

4. Property, plant and equipment

	Fuel stations	Furniture & Decoration	Computers	Machinery and equipment	Projects under progress	Total
Cost						
Balance at January 1, 2008	3,858,000	144,005	569,671	188,908	1,542,943	6,303,527
Additions	-	5,700	28,800	-	2,067,254	2,101,754
Transferred	320,883	57,717	269,828	-	(648,428)	-
Balance at December 31, 2008	4,178,883	207,422	868,299	188,908	2,961,769	8,405,281
Depreciation						
Balance at January 1, 2008	3,857,959	74,487	169,366	74,551	-	4,176,363
Charge for the year	16,550	42,751	165,147	47,222	-	271,670
Balance at December 31, 2008	3,874,509	117,238	334,513	121,773	-	4,448,033
Net book value						
Balance at December 31, 2008	**304,374**	**90,184**	**533,786**	**67,135**	**2,961,769**	**3,957,248**
Balance at December 31, 2007	41	69,518	400,305	114,357	1,542,943	2,127,164

Fuel stations are erected on land leased from the Government of Kuwait for 3 years and is renewable when the lease expires.

The depreciation charge has been allocated as follows:

	2008	2007
Operating expenses	**163,002**	129,348
General and administration expenses	**108,668**	86,232
	271,670	215,580

5. Intangible assets

Intangible assets represents the excess of cost of acquiring the local fuel marketing activity including fuel stations amounting 40 stations, over the fair value of the identifiable net assets acquired as below:

	2008	2007
Cost of acquisition	**27,700,000**	27,700,000
Fair value of identifiable assets and liabilities	**(3,735,500)**	(3,735,500)
	23,964,500	23,964,500

At the consolidated balance sheet date by the Group carried out an independent valuation of the recoverable amount of the intangible assets by an external party. The recoverable amount of these assets was greater than its carrying amount by KD 24,096,991 at the balance sheet date. Valuation of the recoverable amount was determined by reference to discounted cash flow method.

6. Available for sale Investments

	2008	2007
Investments in shares	**4,107,144**	2,739,500
Investments in funds	**240,000**	-
	4,347,144	2,739,500

The Investment in shares included unquoted local investments of KD 1,915,630 (December 31, 2007: KD 805,000), and unquoted foreign investments of KD 334,878 the investments in unquoted local and foreign investments have been stated at cost since their fair values can not be reliably determined. Management does not have any indicators that the investments are impaired.

Impairment of available for sale investments amounting to KD 1,400,485 has been recognized in the consolidated statement of income.

7. Murabaha investment

During the year the Group invested in murahaba with an investment company (related party) at an annual rate 7.75%.

8. Investment in associate

On December 25, 2008 The Group acquired 25% of Petronet Global Computer Services – K.S.C (Closed). The group is currently in the process of allocating the purchase price over the fair value of the identifiable assets and liabilities of the associate and identifying goodwill (if any). The investment is recorded at cost as no audited financial statements were available.

9. Accounts receivable and other debt balances

	2008	2007
Trade receivables	**644,121**	851,680
Prepayments	**602,002**	414,105
Refundable deposits	**11,700**	11,700
Others	**99,746**	46,733
	1,357,569	1,324,218

In determining the recoverability of a trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Group's management believes that there is further provision required.

10. Time deposits

This item represents the balance of deposits maturing during a period exceeding three months from the placement date. The effective interest rate on these deposits as at December 31, 2008 ranges from 5.13% to 5.75% (December 31, 2007: 7 % to 7.5%).

11. Cash and cash equivalent

	2008	2007
Cash on hand	**362,104**	343,824
Cash at bank	**788,324**	3,253,724
Wakala investments (less than 3 months)	**300,000**	430,000
Time deposits (less than 3 months)	**6,000,000**	-
Cash in portfolios	**101,293**	296,847
	7,551,721	4,324,395

The effective interest rate on term Wakala as at December 31, 2008 was 7.25% (December 31, 2007: 7.5%).

The effective interest rate on term deposits as at December 31, 2008 was 4.375% (December 31, 2007: Nil).

12. Share capital

The Parent Company's share capital comprises of 299,726,540 ordinary shares (2007: 299,726,540) shares of 100 fils each as follows:

	2008	2007
Authorized and issued capital	**30,000,000**	30,000,000
Unallocated shares	**(27,346)**	(27,346)
	29,972,654	29,972,654

13. Statutory reserve

In accordance with the Kuwait Commercial Companies' Law of 1960, and the Parent Company's articles of association, as amended, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

14. Voluntary reserve

As required by the Parent Company's Articles of Association, a percentage of the net profit for the year is required to be transferred to the voluntary reserve as proposed by the board and agreed by the general assembly. This transfer may be discontinued as per a resolution from the general assembly.

15. Trade payables and other credit balances

	2008	2007
Trade payables	**357,358**	456,095
Accrued expenses	**136,495**	73,799
Kuwait Foundation for the Advancement of Sciences	**68,479**	38,028
National Labor Support Tax ("NLST")	**186,760**	105,793
Provision for Zakat	**35,072**	2,586
Cash dividends for shareholders	**602,449**	-
Board of Directors' remuneration	**45,000**	45,000
Advances received	**34,760**	57,760
Other	**25,342**	10,000
	1,491,715	789,061

16. Related parties transactions

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by the such parties.

Pricing policies and terms of these transactions are approved by the Group's management. Related parties transactions are as follows:

	Major shareholders	Key management` personnel	2008	2007
Consolidated balance sheet				
Murabaha investment	1,500,000	-	**1,500,000**	-
Available for sale investments	3,334,797	-	**3,334,797**	2,739,500
Due to related party	5,974,799	-	**5,974,799**	11,352,954
Balance of purchase of Property, plant and equipment	-	-	**-**	2,308,333
Consolidated statement of income				
Sale of fuel	1,491,314	-	**1,491,314**	1,832,488
Purchase of fuel	68,603,610	-	**68,603,610**	64,547,356
Key management compensation	-	50,000	**50,000**	55,000

The transactions with related parties are subject to approval of the Shareholders' General Assembly.

17. Operating expenses

	2008	2007
Salaries, wages and staff costs	**874,928**	728,109
Lease rental	**646,110**	673,269
Margin money	**-**	26,297
Fuel stations management contract	**2,138,715**	2,419,398
Depreciation	**163,002**	129,348
Cleaning and maintenance	**450,913**	75,550
Transportation	**351,298**	319,505
Others	**208,237**	438,652
	4,833,203	4,810,128

18. General & administration expenses

	2008	2007
Salaries, wages and staff costs	**1,201,206**	969,073
Consultancy expenses	**2,287**	22,375
Lease charges	**173,253**	148,496
Depreciation	**108,668**	86,232
Publicity and business promotion	**94,296**	27,092
Office Equipment	**8,790**	797
Others	**202,153**	630,203
	1,790,653	1,884,268

19. Zakat

This item represents Zakat computed in accordance with law No 46 on November 27, 2006 regarding Zakat imposing on the public and closed shareholding companies. This Zakat has been computed at 1 % of net profit before deducting the Group's provisions and reserves.

20. Earnings per Share (EPS)

Earnings per share is computed by dividing the profit for the year by the weighted average number of shares which is calculated as follows:

	2008	2007
Profit for the year (KD)	**3,194,515**	4,040,294
Weighted average number of outstanding shares	**299,726,540**	299,726,540
Earnings per share (basic)	**10.66 (Fils)**	13.48 (Fils)

21. Proposed Dividend

The board of directors propose to distribute cash dividend of 10% (10 Fils for each share) for the year ended December 31, 2008 (10 fils for each share for the year ended December 31, 2007). These purposes subject to the approval from the Shareholders General Assembly for year ended 2008.

22. Segmental information

The Parent Company is organized on operating divisions for management of its various business lines with its business mainly located in Kuwait, so there are no secondary geographical segments. For the purposes of reporting on primary segment information "business segments", the management merged its products and services within the following business segments:

22. Segmental information - (Continued)

- Fuels: This represents car fuel service.
- Investment segment: Investment in bank deposits, portfolios, securities and other investment activities.

	2008			2007		
	Fuels	**Investment**	**Total**	Fuels	Investment	Total
Income/(losses)	**78,633,610**	**(548,079)**	**78,085,531**	73,948,983	1,241,343	75,190,326
Segments costs	**(73,401,711)**	**-**	**(73,401,711)**	(69,293,634)	-	(69,293,634)
Segments results	**5,231,899**	**(548,079)**	**4,683,820**	4,655,349	1,241,343	5,896,692
Other income			**490,252**			280,812
Loss on disposal of property, plant and equipment			**-**			(61,535)
Unallocated expenses			**(1,979,557)**			(2,075,675)
Net profit for the year			**3,194,515**			4,040,294
Other information						
Assets						
Segments assets	**28,712,369**	**15,278,437**	**43,990,806**	26,412,621	19,774,403	46,187,024
Unallocated assets			**2,507,997**			4,921,766
Total assets			**46,498,803**			51,108,790
Liabilities						
Segments liabilities	**6,079,975**	**-**	**6,079,975**	11,413,824	-	11,413,824
Unallocated liabilities			**1,491,715**			789,061
Total liabilities			**7,571,690**			12,202,885

23. Financial instruments

The financial instruments represent financial assets and liabilities. Financial assets include cash and cash equivalents, investments available for sale, accounts receivable and other debts balances, and time deposits, the financial liabilities include accounts payable and other credit balances.

Fair value of financial instruments

Fair value is defined as the amount at which an asset could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction. The group used recognized assumptions and methods to estimate the fair value of the financial instruments. The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of other financial assets and financial liabilities with standard terms and conditions and trade on active liquid market is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar financial instruments.
- The fair values of financial instruments carried at amortized cost are not significantly different from their carrying values.

Financial risks management

The group>s use of financial instruments that are exposed it to financial risks such as market risk and liquidity risk. The Group continuously reviews its risk exposures and takes the necessary procedures to limit these risks at acceptable levels.

The group provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risks, credit risk and investment of excess liquidity.

The significant risks that the group is exposed to are discussed below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to pay an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of accounts receivables.

The Group is not exposed to the credit risk, and the cash deposited at credit worthy institutions.

Liquidity risks

Liquidity risks are the risk that the Group will be unable to meet its cash obligations. The management of liquidity risks consist of keeping sufficient cash, and arranging financing sources through enough facilities , managing highly liquid assets, and monitoring liquidity on a periodically basis by method of future cash flow.

Except for, the end of service indemnity the maturity of financial liabilities for the group's accrued within a period of less than one year.

Market risks

Market risk comprise of price risk, interest rate risk and foreign currencies risk. These risks arise due to changes in market prices, interest rates and foreign currency rates.

Interests rate risks

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially not affected by the changes in market interest rates.

Equity price risks

The Group is exposed to equity securities price risks because of investments held by the Group and classified on the balance sheet as available for sale investments.

The Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The effect in shareholders equity due to change in fair value of investments available for sale investment as of December 31, 2008 due to increase/decrease with 5% (December 31, 2007: 5%) in indicators shares with consistency of other factor as follow:

	Change in price		**Effect on equity**	
	2008	2007	**2008**	2007
Kuwaiti exchange market	**5%**	5%	**292,357**	136,675

24. Capital risk management

The Group's objectives in managing the capital are:

- To ensure the Group's ability to continue as a going concern.
- To maximize the Group's returns for the benefit of the shareholders.

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to partners through the optimization of the debt and equity balance.

The capital structure of the company comprise of equity that include share capital, statutory reserve, voluntary reserve, changes in fair value reserve and retained earnings.

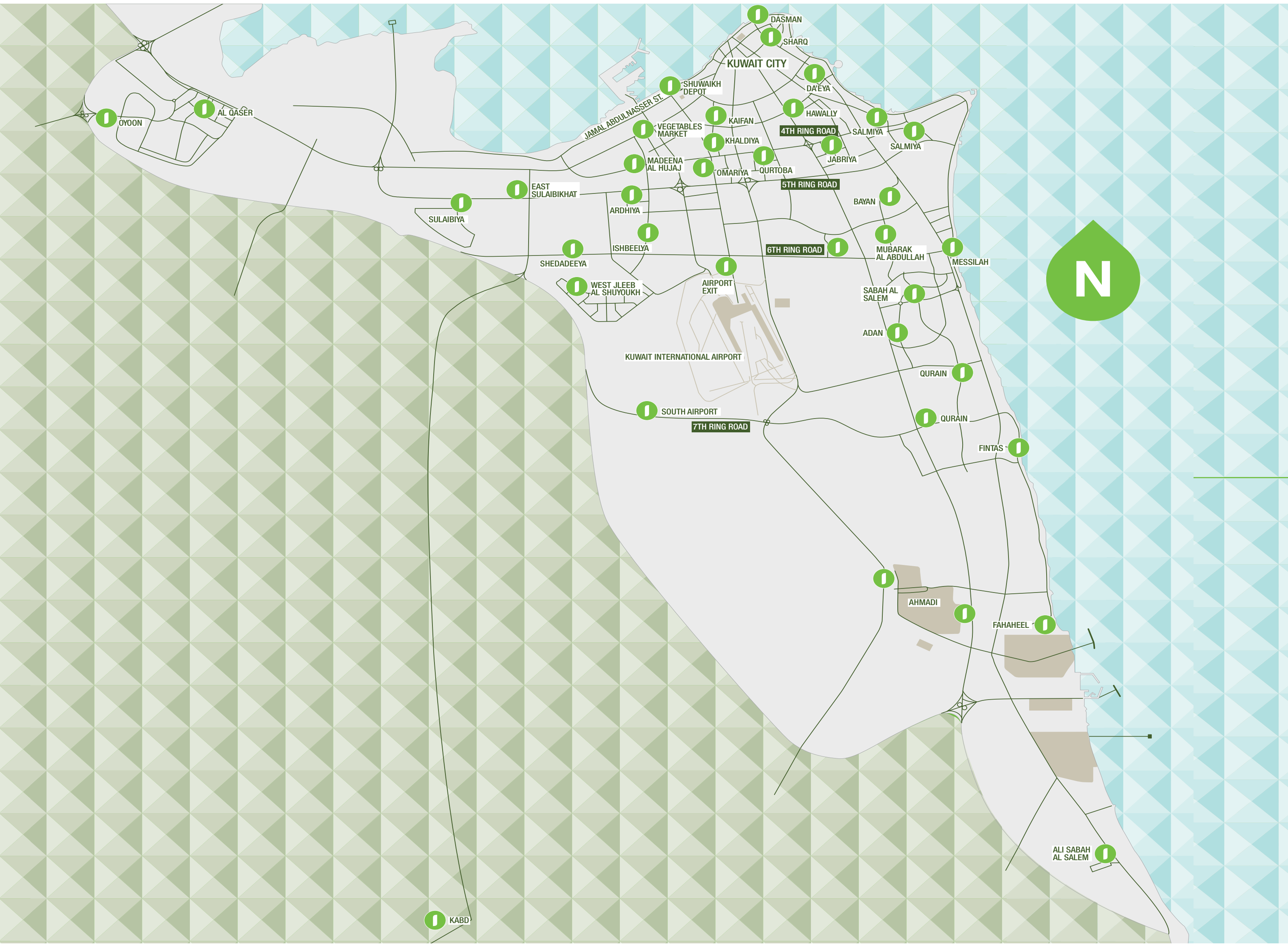
The Group does not have borrowings or bank facilities.

25. Contracts and contingent liabilities

Contingent liabilities

	2008	2007
Letter of credit	**8,442**	-
Letter of guarantee	**4,191**	4,618,143

Contact Guide
دليل الإتصالات



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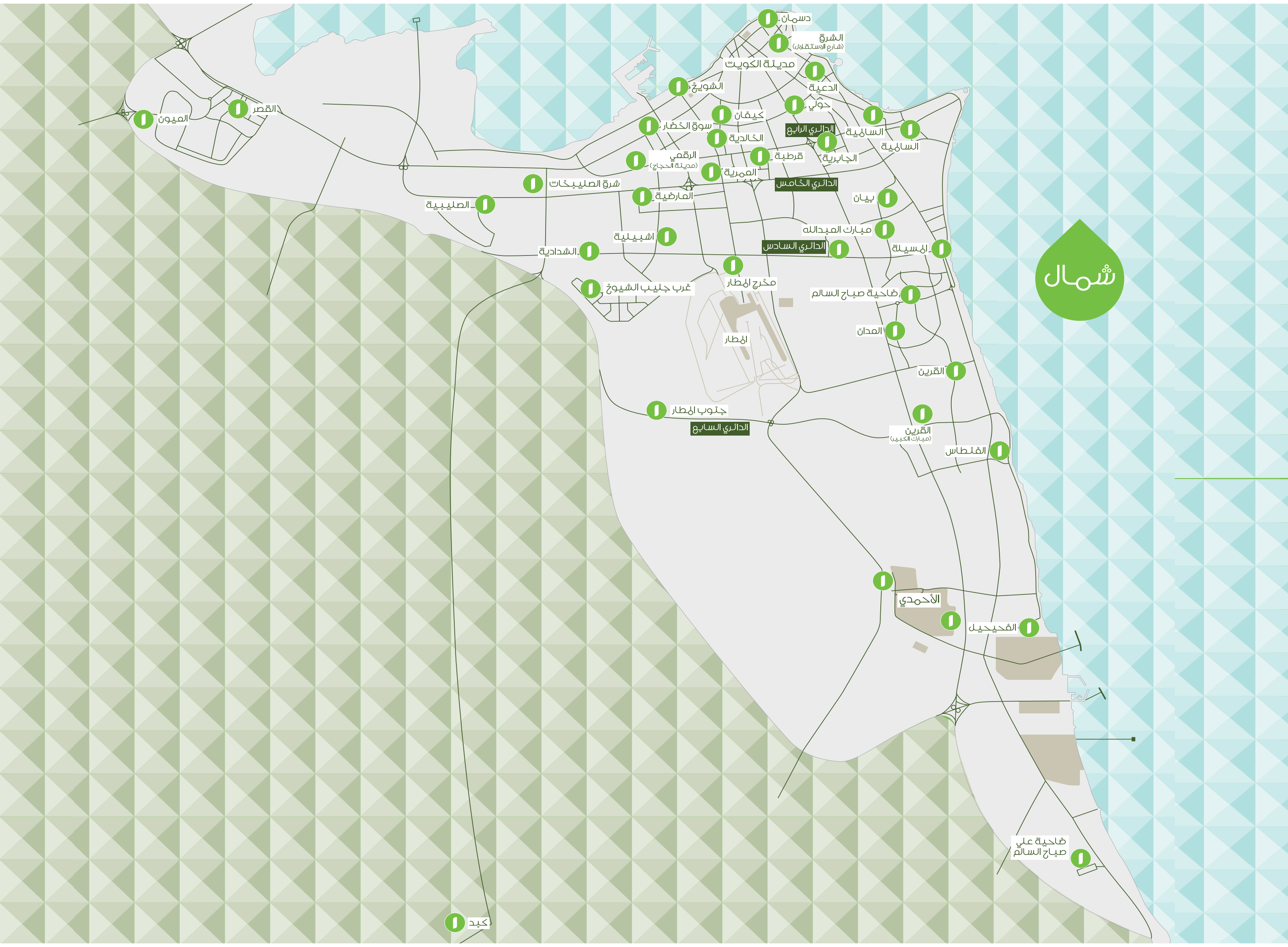

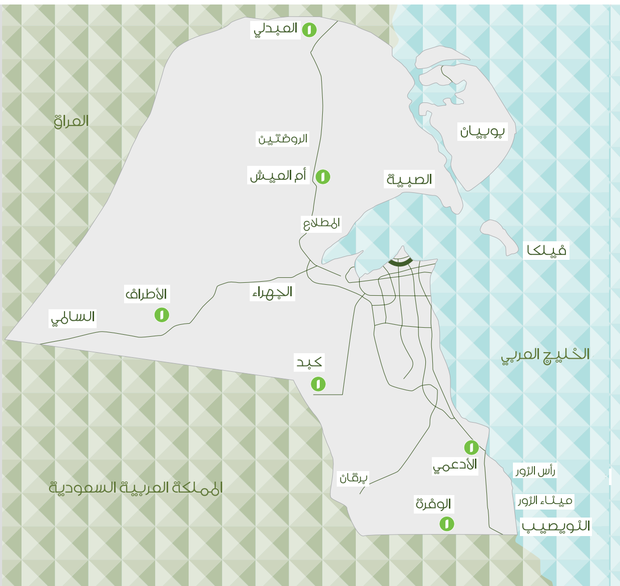

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