Oula Fuel Marketing Company K.S.C

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Annual Report 2010

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Oula Fuel Marketing Company K.S.C

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

Abdulhussain S. Al-Sultan
Chairman

Sheikh / Talal Khaled Al-Ahmad Al-Sabah
Deputy Chairman

Hamzah Abdullah Bakhash
Managing Director

Mohammad E. Al-Khateeb
Board Member

Mrs. Hanaa Al-Sumaie
Board Member

Dr .Maytham M. Haidar
Board Member

Dr. Ali H. Abdullah
Board Member

Prof. Yousuf H. J. Garashi
Board Member

Mazen El-Khatib
Board Member

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of myself, and the Board of Directors, I have the pleasure to welcome you and to present to you the financial report of Oula Local Fuel Marketing Company, highlighting the major achievements of the company during the financial period ended 31/12/2010.

The new Executive Management embarked on new initiatives to boost operational efficiency, develop relevant policies and procedures and establishing corporate governance. The initiatives also addressed the need to develop workflow, business process mapping and creation and promotion of teamwork in the company. Some of the initiatives will be detailed below. We expect to realize the benefits of these changes in the near future.

I am pleased to brief you on the company's financial results, activities and future projects.

The company achieved a net income totaling KD 11.045 million, posting a net profit of KD.2.887 Million, with expenses totaling KD.8.158 million. Total assets amounted to KD.46.978 Million, and shareholders equity totaled KD. 37.982 Million, while total liabilities amounted to KD 8.996 Million. Earning per share stood at 9.65 Fils. In the light of the above results, the Board of directors recommended the distribution 10 % bonus shares dividend (i.e., 10 shares per 100 shares).

We expect further revenue in the coming period as result of natural growth, the commissioning of new stations and income from ancillary services. While our focus is on the financial performance, Oula placed equal importance and attention on HSE issues, development of stations and career development of our employees. Some of achievements can be summarized as follows:

1. Development of Stations

Work completed on project "Face Lift" which included rehabilitation of 15 high profile stations in all governorates. Oula also inaugurated the new station (120) in Mubarak Al-Abdulla area in the presence of H.E Sheikh Ahmed Al- Abdullah minister of oil and other dignitaries from the oil sector. The new station (120) reflects Al-Oula concept of service stations, which includes, C-store, Fast Food outlet, Coffee shop, Car wash, Car service center and mobile phone shop/service in addition to fuel supply.

2. Quality Service

Al-Oula, in its drive to provide quality service, introduced the new uniforms in all stations reflecting the company image and corporate colors. Moreover, more stations were converted to full service bringing the total full service stations to 26. The call center has been further supported to provide effective and timely response to company customers.

3. Health, Safety & Environment (HSE)

Al-Oula managed to obtain preliminary qualification from the regulatory authority as a pre-requisite toward "Petrol station qualified operator" license and as stipulated in the code of practice issued by the regulatory authority. The company also introduced and implemented a systematic and scheduled safety audit visits to all stations by company executives, managers and technical staff.

4. Strategy Review & Restructuring

Due to the changing market environment and in order to reposition company resources, an international consultant has been commissioned to review company strategy, re-structure and develop key performance indicators (KPI) for the various departments.

5. New Projects

Work in progress to finalize all relevant documents for the upgrading of 6 existing stations expected to be executed and completed during next fiscal year. Through its cash management policy, Al-Oula is well positioned to engage in new investment opportunities as the need arises.

6. Kuwaitzation Plan

Proudly, Al-Oula managed to achieve 100% Kuwaitzation of supervisory level employees in its stations and achieved 50% Kuwaitzation at the head office. Efforts are continuing to further boost the number of Kuwaiti employees in the company.

7. Social Responsibility

Compliance with its social responsibility, Al-Oula sponsored several social events and conferences organized by Local Civil Societies & Professional associations. The company also took part in several activities aimed at serving local communities.

In conclusion, on behalf of the Board of Directors, and myself I would like to take this opportunity to extend our thanks and appreciation to all government and private sector bodies for their fruitful cooperation and strong support to our Company.

We also extend our thanks to all shareholders for their valuable confidences & re-iterate to them our commitment to exert all efforts towards achieving their interests and enhancing the value of their investments in accordance with a clear and well executed strategy.

Finally, we like to express our deepest gratitude to all Company employees for their dedication, hard work and cooperation and we look forward to their further efforts towards optimally realizing the objectives of our company.

Chairman
Abdulhussain S. Al-Sultan

MUBARAK AL-ABDULLAH SERVICE STATION GRAND OPENING

the auspices of HE the Minister of Oil and Minister of Information Sheikh Ahmad Al Abdulla Al Ahmad Al Sabah and a number of VIP attendees and notable dignitaries along with members of the executive team, Oula Marketing Fuel Co. inaugurated its first service station in Kuwait in Mubarak Al Abdulla West Mishref Area on November 7th, 2010. The West Mishref Service Station is a first step to the company's expansion strategy that is built on elements of advancement and distinct service for the purpose of adding value to the customer's experience.

Oula Fuel Students field training Summer Program for High School, university, applied education & training in corporation with MGRP

Oula Fuel Marketing Company K.S.C

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

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010
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") (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by 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 31 December 2010, and its financial performance and 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 and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. 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 incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the Parent Company's Articles of Association, as amended, have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the Parent Company or on its financial position.

Waleed A. Al Osaimi
Licence No. 68 A
of ERNST & YOUNG

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

15 March 2011
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2010

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	Notes	2010	2009
Assets			
Non-current assets			
Intangible assets	4	**1,657,246**	1,721,668
Property and equipment	5	**5,538,941**	5,681,469
Leasehold rights	6	**20,472,378**	21,325,394
Investment in associate	7	**451,166**	452,853
Available for sale investments	8	**5,386,328**	5,761,038
		33,506,059	34,942,422
Current assets			
Inventories		**336,041**	342,945
Trade and other receivables	9	**2,180,918**	1,422,776
Term deposits	10	**9,250,000**	4,575,000
Cash and cash equivalents	11	**1,704,888**	7,386,522
		13,471,847	13,727,243
Total assets		**46,977,906**	48,669,665
Equity and liabilities			
Equity			
Share capital	12	**29,972,654**	29,972,654
Treasury shares	13	**(1,507,057)**	-
Statutory reserve	14	**1,925,786**	1,619,157
Voluntary reserve	15	**1,925,786**	1,619,157
Fair value reserve		**194,903**	(127,051)
Retained earnings		**5,470,326**	6,194,122
Total equity		**37,982,398**	39,278,039
Liabilities			
Non current liabilities			
Provision for staff indemnity		**164,074**	189,720
		164,074	189,720
Current liabilities			
Trade and other payables	16	**2,167,351**	1,786,059
Due to related parties	17	**6,664,083**	7,415,847
		8,831,434	9,201,906
Total liabilities		**8,995,508**	9,391,626
Total equity and liabilities		**46,977,906**	48,669,665

Abdul Hussain S. Al Sultan
Chairman

Hamza Abdullah Bakhash
Managing Director

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

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2010

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	Notes	***2010***	*2009*
Sales		**78,786,754**	80,331,941
Cost of sales	17	**(68,992,036)**	(70,049,452)
Operating expenses		**(5,992,690)**	(5,832,831)
Gross profit		**3,802,028**	4,449,658
Share of results from associate	7	**(1,687)**	(13,397)
Loss on sale of available for sale investments		**(114,142)**	(52,656)
Dividends income		**36,026**	23,887
Impairment of available for sale investments	8	**-**	(18,975)
Interest income		**328,133**	450,136
Other income		**885,798**	573,488
General and administrative expenses		**(1,869,863)**	(1,815,345)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND DIRECTORS' REMUNERATION		**3,066,293**	3,596,796
KFAS		**(27,662)**	(32,320)
NLST		**(75,773)**	(89,323)
ZAKAT		**(31,131)**	(36,575)
Directors> remuneration	19	**(45,000)**	(45,000)
PROFIT FOR THE YEAR		**2,886,727**	3,393,578
BASIC AND DILUTED EARNINGS PER SHARE	18	**9.65 Fils**	11.32 Fils

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2010

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	2010	*2009*
Profit for the year	**2,886,727**	3,393,578
Other comprehensive income (loss):		
Change in fair value of available for sale investments	**169,887**	(117,018)
Transferred to consolidated statement of income on sale of available for sale investments	**152,067**	52,656
Transferred to consolidated statement of income on impairment of available for sale investments	**-**	18,975
Other comprehensive income (loss)	**321,954**	(45,387)
Total comprehensive income for the year	**3,208,681**	3,348,191

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	Share capital	*Treasury shares*	*Statutory reserve*	*Voluntary reserve*	*Fair value reserve*	*Retained earnings*	*Total equity*
Balance at 1 January 2010	29,972,654	-	1,619,157	1,619,157	(127,051)	6,194,122	39,278,039
Profit for the year	-	-	-	-	-	2,886,727	2,886,727
Other comprehensive income	-	-	-	-	321,954	-	321,954
Total comprehensive income for the year	-	-	-	-	321,954	2,886,727	3,208,681
Purchase of treasury shares (Note 13)	-	(1,507,057)	-	-	-	-	(1,507,057)
Dividends for 2009 (Note 19)	-	-	-	-	-	(2,997,265)	(2,997,265)
Transfers to reserves	-	-	306,629	306,629	-	(613,238)	-
Balance at 31 December 2010	**29,972,654**	**(1,507,057)**	**1,925,786**	**1,925,786**	**194,903**	**5,470,326**	**37,982,398**
Balance at 1 January 2009	29,972,654	-	1,259,477	1,259,477	(81,664)	6,517,169	38,927,113
Profit for the year	-	-	-	-	-	3,393,578	3,393,578
Other comprehensive loss	-	-	-	-	(45,387)	-	(45,387)
Total comprehensive (loss) income for the year	-	-	-	-	(45,387)	3,393,578	3,348,191
Dividends for 2008	-	-	-	-	-	(2,997,265)	(2,997,265)
Transfers to reserves	-	-	359,680	359,680	-	(719,360)	-
Balance at 31 December 2009	29,972,654	-	1,619,157	1,619,157	(127,051)	6,194,122	39,278,039

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

"ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE"

	Notes	2010	2009
OPERATING ACTIVITIES			
Profit for the year		**2,886,727**	3,393,578
Adjustment for:			
Amortization	4&6	**917,438**	917,438
Depreciation	5	**576,032**	502,576
Provision for staff indemnity		**72,781**	145,370
Share of results from associate	7	**1,687**	13,397
Loss on sale of available for sale investments		**114,142**	52,656
Impairment loss on available for sale investments	8	**-**	18,975
Dividend income		**(36,026)**	(23,887)
Interest income		**(328,133)**	(450,136)
		4,204,648	4,569,967
Change in working capital:			
Inventories		**6,904**	(18,574)
Trade and other receivables		**(758,142)**	135,921
Trade and other payables		**(827,542)**	(412,048)
Due to related parties		**(751,764)**	1,441,048
		1,874,104	5,716,314
Staff indemnity paid		**(98,427)**	(60,826)
Net cash from operating activities		**1,775,677**	5,655,488
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(433,504)**	(2,226,797)
Purchase of available for sale investments		**(866,587)**	(1,453,773)
Proceeds from sale of available for sale investments		**1,449,109**	1,422,861
Net movement in term deposits		**(4,675,000)**	(1,545,000)
Dividend income received		**36,026**	23,887
Interest income received		**328,133**	249,009
Net cash used in investing activities		**(4,161,823)**	(3,529,813)
FINANCING ACTIVITIES			
Dividends paid		**(1,788,431)**	(2,290,874)
Purchase of treasury shares	13	**(1,507,057)**	-
Net cash used in financing activities		**(3,295,488)**	(2,290,874)
DECREASE IN CASH AND CASH EQUIVALENTS		**(5,681,634)**	(165,199)
Cash and cash equivalents at the beginning of year		**7,386,522**	7,551,721
& AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	**1,704,888**	7,386,522

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

1. ACTIVITIES

The consolidated financial statements of Oula Fuel Marketing Company K.S.C ("the Parent Company") and its subsidiary (the Group) for the year ended 31 December 2010 were authorised for issue by the board of directors on 15 March 2011 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.

Oula Fuel Marketing Company K.S.C ("the Parent Company") is a Kuwaiti shareholding company incorporated on 17 May 2004 and the Parent Company's registered office is at Zumorrodah Tower, 15th floor, Ahmed Al Jaber Street, Kuwait.

The Parent Company's shares were listed on the Kuwait Stock Exchange on 18 December 2006.

The principal activities of the Parent Company are:

Acquisition, establishment, leasing, operating, and maintenance of petrol stations and their customer service centers, to provide all automobile services including changing of oil, car wash, maintenance workshop services and technical check-ups.

- The ability to fill and store fuel and to ship and trade in petroleum products in bulk or retail.
- Utilizing the financial surpluses of the Group by investing in portfolios managed by specialised companies and entities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") and are prepared under the historical cost convention, except for certain available for sale investments stated at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Commercial Companies Law of 1960, as amended.

Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except as discussed in the following paragraphs:

The following new standards and amendments to standards are applicable for the Group from 1 January 2010.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

occurring in periods beginning on or after this date. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Application of the above standards did not have any impact on the consolidated financial information of the Group.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IFRS 9: Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 24 Related party (Revised)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- IFRS 3 Business Combinations

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2010.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiary is consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the consolidated statement of income
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss for the period or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

Losses incurred by the Group were attributed to the non-controlling interest (NCI) until the balance was reduced to nil. Any further excess losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between NCI and the Parent Company shareholders.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and Goodwill

Business combinations are accounted for using the acquisition accounting method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group>s share in the net fair value of the acquiree>s identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefits from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generation unit retained.

Summary of significant accounting policies

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement income when the asset is derecognised.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Fuel stations	14 years
Furniture and decorations	4 years
Computers	4 years
Machinery and equipment	4 years

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalized.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Leasehold rights

Leasehold rights acquired are measured on initial recognition at cost. Following initial recognition, leasehold rights are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of leasehold rights are assessed to be either finite or indefinite.

Leasehold rights with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the leasehold rights may be impaired. The

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

amortisation period and the amortisation method for leasehold right with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on leasehold rights with finite lives is recognised in the consolidated statement of income. Leasehold rights with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an leasehold right are measured as the difference between the net disposal proceeds and the carrying amount of the right and are recognised in the consolidated statement income when the asset is derecognised.

Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the group has significant influence.

Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates. The financial statements of the associate are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognised in the consolidated statement of income.

Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets within scope of IAS 39 are classified as financial assets at fair value through statement of income, loans and receivables or financial assets available for sale, as appropriate. The group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through statement of income, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The group's financial assets include cash and cash equivalents, accounts receivables, and financial assets available for sale. At 31 December 2010, the Group has neither held-to-maturity investments nor financial assets at fair value through statement of income.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group does not have any loans. Receivables include trade accounts receivable which are stated at original invoice amount less impairment due to uncollectible amount. An estimate for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Available for sale investments (AFS)

Available for sale investments comprise equity securities and managed funds. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through statement of income.

After initial recognition, available for sale investments are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values and recognised in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 22.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive the cash flows from the asset have expired

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available for sale

For financial asset available for sale, the group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is to be evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the assets or cash generating units recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs.

The group's financial liabilities include trade and other payables. At 31 December 2010, the group did not have any financial liabilities at fair value through statement of income.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Dividend payments

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

Derecognition

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

When 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(vi) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices (bid price), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Inventories

Inventories are stated at cost less any impairment in value.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks and time deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in treasury share reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the reserves. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is valued at the fair value of the consideration received. The following recognition criteria must also be met before revenue is recognised:

Sales

Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods have passed to the buyer, usually on the delivery of goods.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

(vi) Fair value of financial instruments

Interest income

Interest income is recognised as interest accrues using the effective interest rate method.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of available for sale 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 or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

Impairment of non financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Fair value of financial instruments

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of inventories

Inventories are valued at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

Impairment of trade accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

3. SUBSIDIARY

Details of the Parent company's subsidiary at 31 December 2010 is as follows:

Name of the subsidiary	***Principal activity***	***Country of incorporation***	***Effective interest***	
			2010	*2009*
Oula National Market Services K.S.C.C	Marketing	Kuwait	**100%**	100%

4. INTANGIBLE ASSETS

	2010	*2009*
	KD	*KD*
As at 1 January	**1,721,668**	1,786,090
Amortization charge for the year	**(64,422)**	(64,422)
As at 31 December	**1,657,246**	1,721,668

Intangible assets represent commercial licenses of the fuel stations which are amortised over a useful economic life of 26 years.

5. PROPERTY AND EQUIPMENT

	Fuel stations	*Furniture and decorations*	*Computers*	*Machinery and equipment*	*Projects in progress*	*Total*
Cost						
At 1 January 2010	4,650,874	519,949	1,160,162	204,673	4,096,420	10,632,078
Additions	-	-	-	-	433,504	433,504
Transfer	1,265,901	-	-	57,830	(1,323,731)	-
At 31 December 2010	**5,916,775**	**519,949**	**1,160,162**	**262,503**	**3,206,193**	**11,065,582**
Accumulated depreciation						
At 1 January 2010	3,931,141	268,236	580,895	170,337	-	4,950,609
Charge for the year	170,149	122,615	244,622	38,646	-	576,032
At 31 December 2010	**4,101,290**	**390,851**	**825,517**	**208,983**	**-**	**5,526,641**
Net book value At 31 December 2010	**1,815,485**	**129,098**	**334,645**	**53,520**	**3,206,193**	**5,538,941**
Cost						
At 1 January 2009	4,178,883	207,422	868,299	188,908	2,961,769	8,405,281
Additions	85,163	312,527	9,010	15,765	1,804,332	2,226,797
Transfer	386,828	-	282,853	-	(669,681)	-
At 31 December 2009	4,650,874	519,949	1,160,162	204,673	4,096,420	10,632,078
Accumulated depreciation						
At 1 January 2009	3,874,509	117,238	334,513	121,773	-	4,448,033
Charge for the year	56,632	150,998	246,382	48,564	-	502,576
At 31 December 2009	3,931,141	268,236	580,895	170,337	-	4,950,609
Net book value At 31 December 2009	719,733	251,713	579,267	34,336	4,096,420	5,681,469

6. LEASEHOLD RIGHTS

Leasehold rights represent the right of use of the land for fuel stations by the Group, which are amortised over a useful economic life of 26 years. As at 31 December 2010, the Group has reclassified leasehold rights from property and equipment at the carrying value of KD 20,472,378 (2009: KD 21,325,394).

The amortisation of leasehold rights for the year ended 31 December 2010 amounts to KD 853,016 (2009: KD 853,016) determined based on the remaining period of the lease, i.e. 25 years as at 1 January 2010.

7 . INVESTMENT IN ASSOCIATE

The following table summarizes the information relating to the Group's investment in associate:

Name of associate	*Country of incorporation*	*Percentage of Ownership interest*		*Book value*	
		2010	*2009*	***2010***	*2009*
		%	*%*		
Petronet Global Computer Services K.S.C.C.	Kuwait	**25**	25	**451,166**	452,853

Share of associate's statement of financial position:	***2010***	*2009*
Share of assets	**1,356,003**	939,673
Share of liabilities	**(1,061,825)**	(643,807)
Share of net assets	**294,178**	295,866
Goodwill	**156,988**	156,987
Carrying amount of investment	**451,166**	452,853

Share of associate's revenue and results:	***2010***	*2009*
Revenue	**5,737,734**	5,660,902
Share of results from associate	**(1,687)**	(13,397)

8. AVAILABLE FOR SALE INVESTMENTS

	2010	*2009*
Investments in managed portfolios of equity securities	**5,103,855**	5,510,052
Managed funds	**282,473**	250,986
	5,386,328	5,761,038

Investments in managed portfolios of equity securities amounting to KD Nil (2009: 4,589,719) are managed by a related party (Note 17).

As at 31 December 2010, impairment losses amounting to KD Nil (2009: KD 18,975) were made against investments in managed portfolios of equity securities on which there has been a significant or prolonged decline in value.

9. TRADE AND OTHER RECEIVABLES

	2010	*2009*
Trade receivables	**1,325,750**	617,636
Prepayments	**610,268**	520,241
Refundable deposits	**61,350**	73,050
Other receivable	**183,550**	211,849
	2,180,918	1,422,776

10. TERM DEPOSITS

Term deposits represent deposits that mature over a period exceeding three months from the date of the placement. The effective interest rate on term deposits ranges from 2.60% - 2.75% per annum (2009: ranges from 2.50% - 3.875% per annum).

11. CASH AND CASH EQUIVALENTS

	2010	*2009*
Cash on hand	**592,356**	400,341
Cash at bank	**1,089,090**	2,825,059
Term deposits (less than 3 months)	**-**	4,070,000
Cash at portfolios	**23,442**	91,122
	1,704,888	7,386,522

12. SHARE CAPITAL

The Parent Company's share capital comprises of 299,726,540 ordinary shares (31 December 2009: 299,726,540 ordinary shares) of 100 fils each.

13. TREASURY SHARES

	2010	*2009*
Number of treasury shares	**3,940,000**	-
Percentage of ownership	**1.31%**	-
Market value (KD)	**1,556,300**	-
Cost (KD)	**1,507,057**	-

14. STATUTORY RESERVES

In accordance with the Commercial Companies Law and the Parent Company>s Articles of Association, 10% of the profit for the year (before contributions to KFAS, NLST, Zakat and directors' remuneration) was transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the paid up share capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company>s Articles of Association.

15. VOLUNTARY RESERVES

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year (before contributions to KFAS, NLST, Zakat and directors' remuneration) was transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. Voluntary reserve is available for distribution.

16. TRADE AND OTHER PAYABLES

	2010	*2009*
Trade creditors	**479,775**	441,907
Accrued expense	**264,713**	541,393
Dividends payable	**1,208,834**	706,391
Directors' remuneration	**45,000**	45,000
Advance payments and other payables	**169,029**	51,368
	2,167,351	1,786,059

17. 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.

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

	Major shareholders	***Senior management***	***Total 2010***	*Total 2009*
Consolidated statement of financial position				
Property and equipment	742,937	-	**742,937**	719,719
Available for sale investments (managed by a related party)	-	-	-	4,589,719
Due to related party	6,664,083	-	**6,664,083**	7,415,847
Consolidated statement of income				
Sales of fuel	8,285,102	-	**8,285,102**	8,069,921
Cost of sales	(68,992,036)	-	**(68,992,036)**	(70,049,452)
Operating expenses	(1,094,217)	-	**(1,094,217)**	(1,912,787)
Other income	48,000	-	**48,000**	144,616
General and administrative expenses	(208,799)	-	**(208,799)**	(336,426)
Compensation of key management personnel	-	45,000	**45,000**	45,000

Due to related parties are repayable on demand and are interest free.

18. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing the net profit for the year by the weighted average number of shares outstanding during the year less treasury shares.

The Parent Company had no outstanding dilutive potential shares.

	2010	*2009*
Net profit for the year	**2,886,727**	**3,393,578**
	Shares	Shares
Number of shares at the beginning of the year	**299,726,540**	299,726,540
Less: Weighted average number of treasury shares	**(555,315)**	**-**
Weighted average number of shares outstanding	**299,171,225**	299,726,540
Basic and diluted earnings per share	**9.65 Fils**	11.32 Fils

19. PROPOSED DIVIDEND AND DIRECTORS' REMUNERATION

The Board of Directors has recommended the issuance of bonus shares of 10% of paid up share capital, (2009 distribution of cash dividend: 10 fils) and directors> remeneration of KD 45,000 (December 2009: KD 45,000). Subject to being approved, the dividend shall be payable to the shareholders registered in the Company's records as of the date of the Shareholders' Annual General Assembly meeting. Dividends and director's remuneration for 2009 were approved at the Annual General Assembly of the shareholders held on 13 May 2010.

20. SEGMENT REPORTING

For management purposes the Group is organized into two major business segments. The Group operates mainly in Kuwait. The principal activities and services under these segments are as follows:

- Fuel marketing and other related services – represents the sale of fuel and other related services arising from fuel stations.
- Investments – represents investment in managed portfolio.

There are no inter-segmental transactions. The following segments are reported in a manner that is more consistent with internal reporting providing to the chief operating decision maker.

	Fuel marketing & other related services		*Investments*		*Total*	
	31 December 2010	*31 December 2009*	***31 December 2010***	*31 December 2009*	***31 December 2010***	*31 December 2009*
Segment revenue	**79,672,552**	80,905,429	**248,330**	388,995	**79,920,882**	81,294,424
Segment profit	**2,638,397**	3,004,583	**248,330**	388,995	**2,886,727**	3,393,578
Assets	**31,890,412**	29,132,826	**15,087,494**	19,536,839	**46,977,906**	48,669,665
Liabilities	**8,995,508**	9,391,626	-	-	**8,995,508**	9,391,626

21. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks and for the overall risk management approach and for approving the risk strategies and principles.

Executive management

The Executive management of the Group formulates the risk management policies of the Group and makes recommendations to the Board of Directors.

21.1 CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position.

The gross maximum exposure is shown below:

	Gross maximum exposure	
	2010	*2009*
Financial assets		
Cash and cash equivalents (excluding cash on hand)	**1,112,532**	6,986,181
Trade and other receivables	**2,180,918**	1,422,776
Term deposits	**9,250,000**	4,575,000
	12,543,450	12,983,957

Risk concentrations of the maximum exposure to credit risk:

The Group's financial assets can be analysed by the following geographical regions and industrial sectors:

	Banking	***Services sector***	***Total***	*Banking*	*Services sector*	*Total*
	2010	***2010***	***2010***	*2009*	*2009*	*2009*
Kuwait	**10,339,090**	**2,204,360**	**12,543,450**	11,470,059	1,513,898	12,983,957
	10,339,090	**2,204,360**	**12,543,450**	11,470,059	1,513,898	12,983,957

The credit quality of financial assets is managed by the Group. The table below shows the credit quality by class of asset for related consolidated statement of financial position lines, based on the Group's credit rating system.

	Neither past due nor impaired		impaired	
	High grade	Standard grade		Total
	2010	2010	2010	2010
Cash and cash equivalents	**1,089,090**	**23,442**	**-**	**1,112,532**
Trade receivables	**-**	**2,180,918**	**-**	**2,180,918**
Term deposits	**9,250,000**	**-**	**-**	**9,250,000**
	10,339,090	**2,204,360**	**-**	**12,543,450**

	Neither past due nor impaired		*impaired*	
	High grade	*Standard grade*		*Total*
	2009	*2009*	*2009*	*2009*
Cash and cash equivalents	6,895,059	91,122	-	6,986,181
Trade receivables	-	1,422,776	-	1,422,776
Term deposits	4,575,000	-	-	4,575,000
	11,470,059	1,513,898	-	12,983,957

21.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Analysis of financial undiscounted liabilities by remaining contractual maturities

The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of liabilities at the year end are based on contractual undiscounted repayment arrangement.

Except for employees' end of service indemnity, the maturity of Group's liabilities fall due within a period of less than one year.

21.3 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

21.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

The following table shows the investments in financial assets of the Group that are subject to interest rate risk:

	31 December 2010	*31 December 2009*
Term deposits	**9,250,000**	4,575,000

The Group is exposed to interest rate risk on its term deposits.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit before KFAS, NLST, Zakat and Directors' remuneration for one year, based on the floating rate financial assets held at 31 December 2010. There is no impact on other comprehensive income.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	Increase/ decrease in basis points	***Effect on consolidated statement of income KD***
2010		
KD	±50	**46,250**
2009		
KD	±50	43,225

21.3.2 Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consist principally of available for sale investments.

The effect of other comprehensive income (as a result of a change in the fair value of investments available for sale at December 31, 2010) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	Change in equity price		***Effect on other comprehensive income***	
	2010	*2009*	***2010***	*2009*
Kuwait market	**± 5%**	± 5%	**± 269,316**	± 213,052

21.3.3 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The effect on result for the year and on the other comprehensive income, as a result of change in exchange rates, with all other variables held constant is not significant as the majority of the Group's assets and liabilities are denominated in Kuwaiti Dinar.

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, term deposits, trade and other receivables and available for sale investments.

Financial liabilities consist of due to related parties and trade and other payables.

The fair values of financial instruments are not materially different from their carrying values.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

31 December 2010	***Level 1***	***Level 2***	***Level 3***	***Total***
Available for sale investment				
Investments in managed portfolios of equity securities	1,668,977	-	3,434,878	5,103,855
Managed funds	-	282,473	-	282,473
Total	**1,668,977**	**282,473**	**3,434,878**	**5,386,328**

31 December 2009	*Level 1*	*Level 2*	*Level 3*	*Total*
Available for sale investment				
Investments in managed portfolios of equity securities	1,766,688	-	3,743,364	5,510,052
Managed funds	-	250,986	-	250,986
Total	1,766,688	250,986	3,743,364	5,761,038

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	At 1 January 2010	***Gain / (loss) recorded in the consolidated statement of income***	***Gain / (loss) recorded in equity***	***Net purchases, sales and settlements***	***At 31 December 2010***
Financial assets					
Available for sale investments:					
Investments in managed portfolios of equity securities	3,743,364	-	-	(308,486)	3,434,878

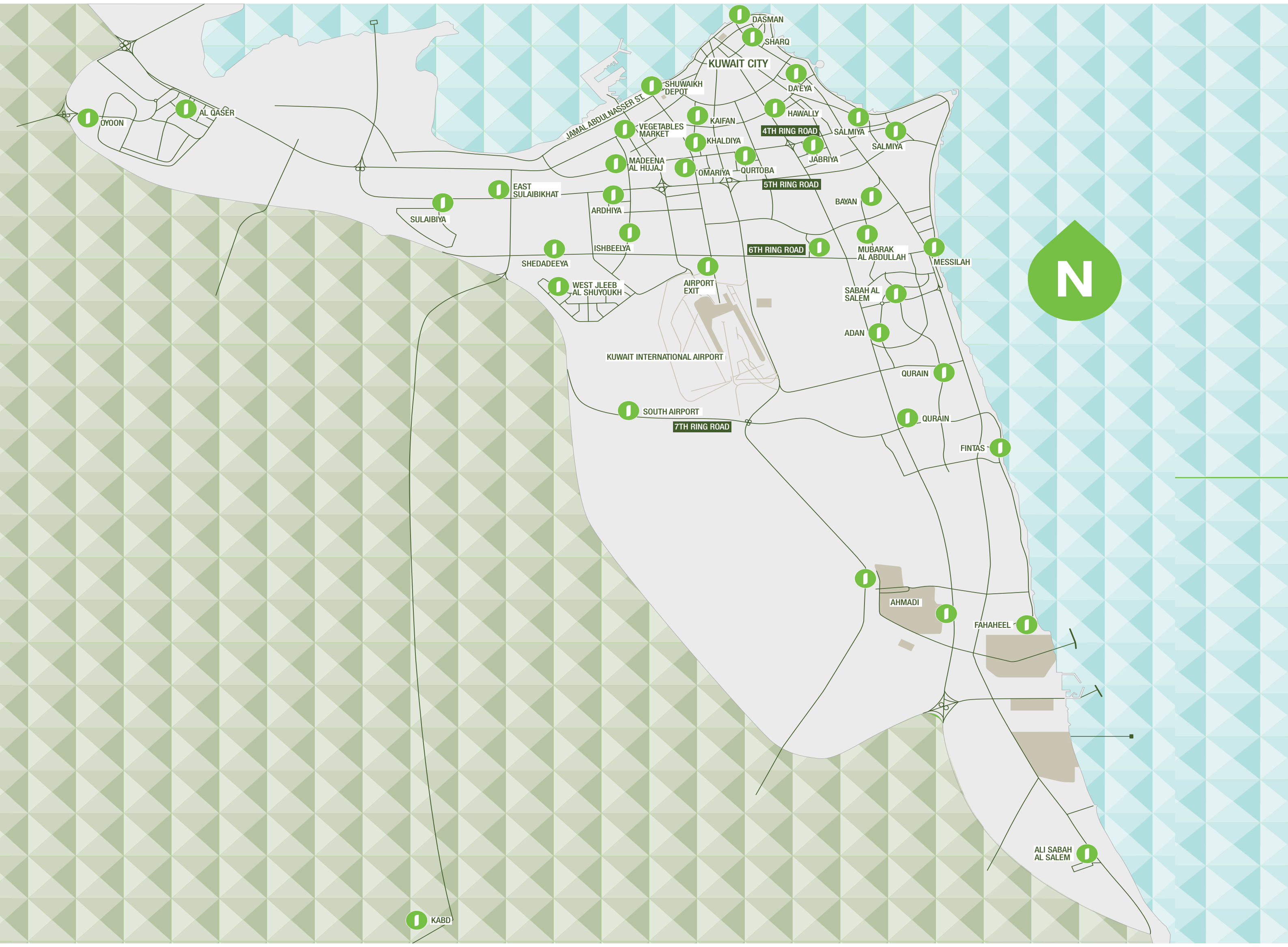
23. CONTINGENT LIABILITIES

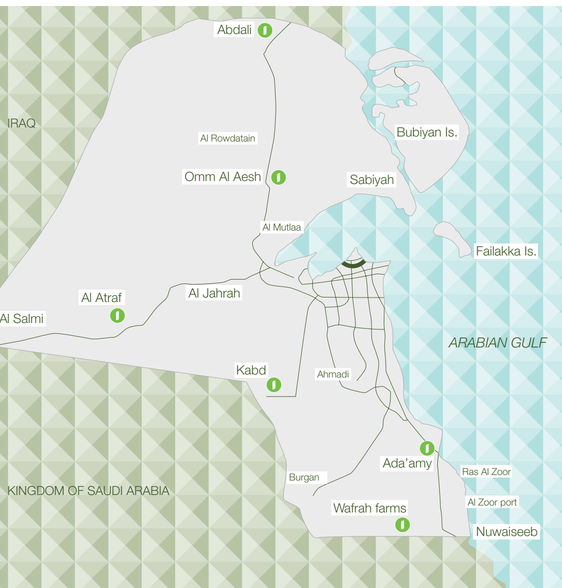
	2010	*2009*
Contingent liabilities		
Letters of guarantee	**5,006,535**	-
	5,006,535	-

OULA STATIONS LIST

Station	Location
Abdali	Near Border
Ad'amy	King Fahad highway towards Nowaiseeb
Ahmadi	Ahmadi Traffic Dept.
Airport Exit	Airport Road No. 54
Ardhiya	Mohammed Bin Al Qassem St.
Ashbilya	Block 4 - Mohammed Bin Al Qassem St.
Atraf	Salmy Road (between 40-50 Km signs)
Bayan	Near the Co-Op
Da'eya	Block 2, 60th St.
Dasman	Ahmed Al Jaber St.
East Sulaibikhat	Block 3, besides the cemetery
Fintas	Fintas Coastal Road
Faheheel	Besides Faheheel Fire Brigade
Hawaly	3rd Ring Road
Jabriya	Block 5, 11th St.
Kaifan	Ashbilya St.
Khaldiya	Block 2, 22nd St. behind Co-Op
Maseelah	Faheheel Highway towards Kuwait City
Om Al Aesh	Abdaly Road (35 Km Signs)
Ali Sabah Al Salem	In front the Co-op
Omariya	Airport Road No. 55
Oyoon	Infront Al Ayoon Residential Area
Al Qaser	Block 2, Bin Hejer St.
Qortoba	4th Ring Road
Qurain	Al Ghoos St
Adan	King Fahad Road towards Kuwait City
Qurain (Mubarak al Kabeer)	Mubarak Al Kabeer - Block 3
Ruqe'ee (Madeena al Hujaj)	4th Ring Road
Sabah Al Salem	Block 12 - 207 Road
Salmiya	4th Ring Road
Salmiya	5th Ring Road
Sharq (Istiqlal St)	Soor St. with Sharq Conjunction
Shdadya	6th Ring Road
Shuwaikh	Jamal Abdul Naser St.
6th Ring Road	South Surra
South Airport (7th Ring Road)	7th Ring Road
Sulaibiya	Block 5 - Khalaf Al Ahmar St.
Vegetables Market	Shuwaikh - Kuwait City - Road No. 80
Wafrah	Besides Wafrah Agricultural Co-Op
West Jeleeb Al Shuyoukh	Abdullah Al Mubarak - Block 8
Mubarak Abdullah Al Jaber (West Mishref)	Behind Kuwait international fair ground
Kabd	In front of Kabd Co-Op society
West Shuaibah	On King Fahad’s Road

Contact Guide
دليل الإتصالات





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