Oula Fuel Marketing Company K.S.C

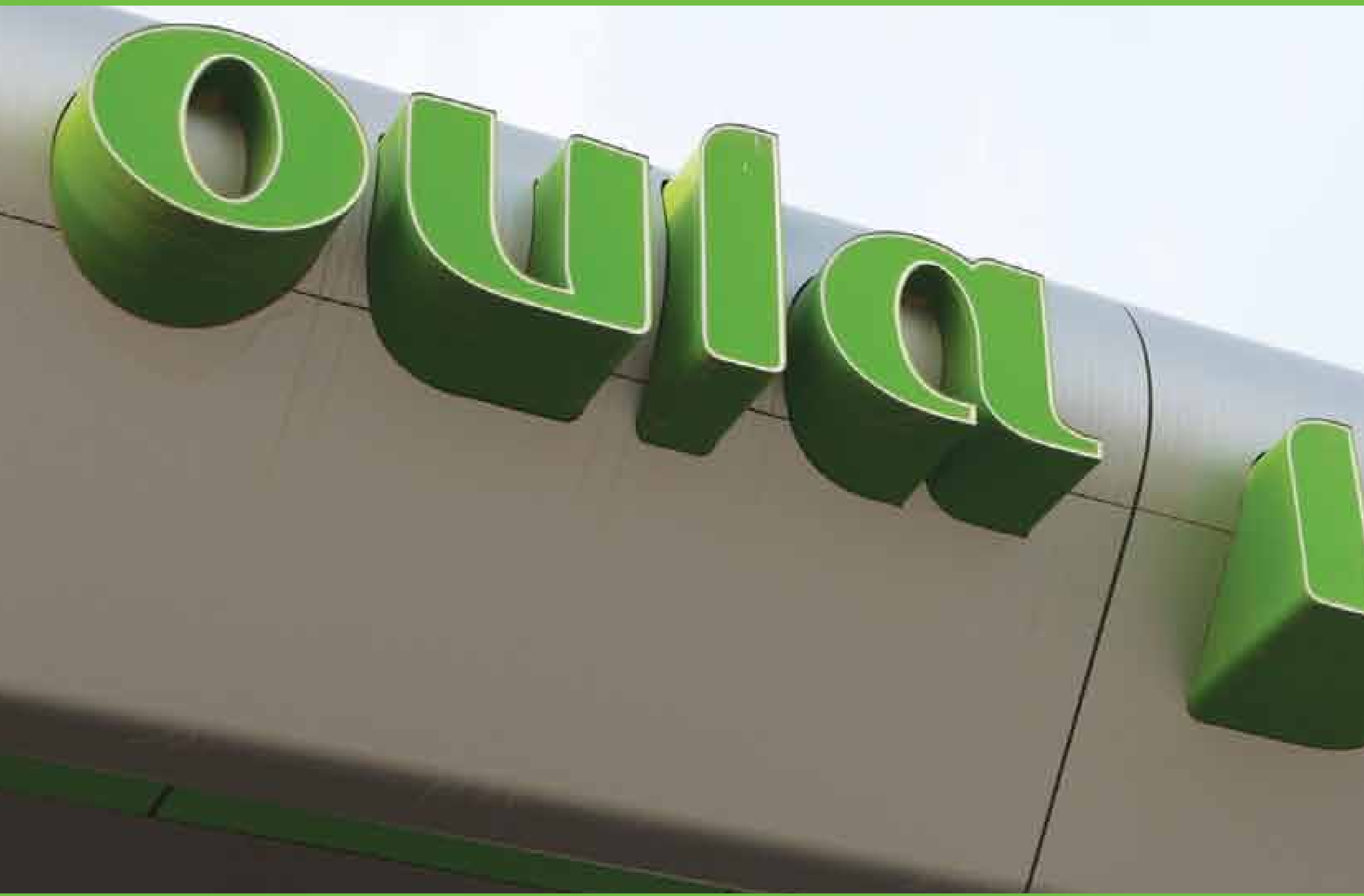
Annual Report 2011

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
Jaber Mubarak Al-Hamad 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

Mahdi M. Haidar
Board Member

Dr. Ali H. Abdullah
Board Member

Saleh Al Temimi
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 to the sixth general assembly 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 ending on December 31, 2011.

Since assuming responsibility a year and a half ago, the new executive management was determined to improve operational efficiency, boost productivity and enhance profitability. I am glad to announce that the above objectives were achieved.

Company revenue has increased by 11 % during 2011. The enhanced efficiency of operations resulted in improving gross profit by 34%. The net profit during 2011 reached K.D 4,059,055 Million (resulting in Fills 12.41 EPS) which is 41 % higher than the EPS registered in 2010.

The total assets amounted to K.D 55,393,711 recording an increase of 18% over last year.

Due to its good financial position, the company did not utilize the financial facilities and credit available through banks and financial institutions. Such facilities are planned to be relied on for future expansions.

While our focus is on 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

Facelift work was completed in four additional stations bringing the number of stations undergone facelift to 19 since the launch of project in 2010. Preparation work to launch the operation in new stations of Kabed (121)

and Shauiba (122) await permits to be issued by authorities also the company has completed phase 1 of renovation work at Bayan station (68) , the station was commissioned on 22012/1/. Oula also completed the installation of Automatic Tank Gauging (ATG) system in all of its stations to become the first fuel retailer in Kuwait employing such an advance system. Oula succeeded in introducing a

new filling system in 19 stations that allows filling vehicles irrespective of the location of filling point in the vehicle . The company has introduced Ultra fuel in station 82 in Mubarak Al- Kabeer and expanded the same service in station 11 in Omareya due to high demand by consumers for this type of high quality fuels.

The company expects to obtain 7 licenses during the first quarter of 2012 for the major renovation of 7 more stations.

2. Re-structuring & Corporate Governance

The new structure –Developed by an international consultant started to be implemented. The company also introduced a performance monitoring technique employing the BSC approach .An internal audit exercise by a specialized international firm was conducted based on risk assessment criteria.

CHAIRMAN'S STATEMENT (continued)

3. HSE & Quality

Oula was noted among top contenders in an evaluation conducted by The American Society of Safety Engineer (ASSE)- Kuwait chapter. The competition included 63 companies in GCC. Oula also was a warded the certification by KNPC appointed agency (DNV) to operate fuel service stations. Oula commitment towards HSE was further demonstrated by conducting 146 structured and scheduled site visits by management to all of company sites.

4. Kuwaitzation

Oula managed to replace the contracted station managers with company appointed staff in more than 50% of our stations till end of December 2011 and work is in progress to replace the staff in remaining stations in the near future. Oula maintained a 100% Kuwaitzation of supervisory staff in stations, and achieved 61% Kuwaitzation in head office. Oula efforts has resulted in employing (93) Kuwaiti nationals in the company in collaboration with Workforce restructuring programme and the Executive branch of State.

5. Development of I.T. Systems

The company introduced a centralized new monitoring and reporting system in all stations enabling real time monitoring of all stations which has resulted in reducing unscheduled closures and provided a quick and accurate access to statistics. Oula also introduced wireless payment terminals in all of its station becoming the first fuel company's

to widely employ such system in Kuwait. The company also introduced universal out door payment terminals (OPT's), In a number of stations with a plan to expand during the current fiscal year. Oula also completed a project to replace all I.T equipment and point of sales in all stations in get another attempt to improve system reliability in its stations.

6. Social Responsibility

As a socially responsible company, Oula took the lead in sponsoring a number of social events which ranged from conducting an event during Ramadan in Hussain Makki Jouma Center, to sponsoring graduation project for a number of engineering students in Kuwait university and some private colleges . An internship summer program was conducted in cooperation with Workforce restructuring program and the Executive branch of State. Oula also conducted a beach cleanup in association with ASSE and keep Kuwait clean voluntary group. Oula also participated in activities organized by Kuwait House of National works.

Oula shall keep a abreast of market changes and shall develop its strategy to meet market demands. We shall proceed with approved strategy to develop existing stations and in traduce new services.

we recommend that the general assembly approves distribution 5 % share dividend (i.e., 5 share per 100 share).also, I recommend raising your suggestion to the extraordinary assembly to approve the capital increase by issuing new share.

In conclusion, on behalf of the Board of Directors and myself I would like to take this opportunity to extend our appreciation to all shareholders for their valuable confidences and 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

Oula Fuel Marketing Company K.S.C

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the year ended December 31, 2011

INDEPENDENT AUDITORS' REPORT

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

Ernst & Young
Al Aiban, Al Osaimi & partners
P.O. Box 74 Safat 13001 Kuwait
Baitak Tower, 1821-st Floor
Safat Square, Ahmed Al Jaber Street
Tel +965 22452 880 / 22955 000
Fax: +965 22456 419 - www.ey.com/me

Al Johara Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq
P. O. Box 25578, Safat 13116 Kuwait
Tel : +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw

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 2011, 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 2011, 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 2011 that might have had a material effect on the business of the Parent Company or on its financial position.

Qais Al-Nisf
Licence No. 38 A
BDO Al Nisf & Partners

Waleed A. Al Osaimi
Licence No. 68 A
Ernst & Young

15 March 2011
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	Notes	2011 KD	2010 KD
Assets			
Non-current assets			
Intangible assets	4	1,592,824	1,657,246
Property and equipment	5	7,818,002	5,538,941
Leasehold rights	6	19,619,362	20,472,378
Investment in associate	7	462,404	451,166
Available for sale investments	8	5,259,252	5,386,328
		34,751,844	33,506,059
Current assets			
Inventories		306,147	336,041
Trade and other receivables	9	2,868,920	2,180,918
Term deposits	10	6,500,000	9,250,000
Cash and cash equivalents	11	10,966,800	١,704,888
		20,641,867	13,471,847
Total assets		55,393,711	46,977,906
Equity and liabilities			
Equity			
Share capital	12	32,969,919	29,972,654
Treasury shares	13	(1,283,012)	(1,507,057)
Treasury shares reserve	14	36,330	-
Statutory reserve	15	2,354,947	1,925,786
Voluntary reserve		2,354,947	1,925,786
Fair value reserve		337,355	194,903
Retained earnings		5,673,794	5,470,326
Total equity		42,444,280	37,982,398
Liabilities			
Non current liabilities			
Provision for staff indemnity		184,531	164,074
		184,531	164,074
Current liabilities			
Trade and other payables	16	3,121,452	2,167,351
Due to related parties	17	9,643,448	6,664,083
		12,764,900	8,831,434
Total liabilities		12,949,431	8,995,508
Total equity and liabilities		55,393,711	46,977,906

Abdul Hussain S. Al Sultan
Chairman

Hamza Abdullah Bakhash
Managing Director

The notes on pages 8 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

FOF THE YEAR ENDED DECEMBER 31, 2011

	Notes	2011 KD	2010 KD
Sales		87,523,617	78,786,754
Cost of sales	17	(76,359,531)	(68,992,036)
Operating expenses		(6,084,258)	(5,992,690)
Gross profit		5,079,828	3,802,028
Share of loss from associate	7	11,238	(1,687)
Loss on sale of available for sale investments		(17,796)	(114,142)
Dividends income		198	36,026
Impairment of available for sale investments		(201,068)	-
Interest income		273,243	328,133
Other income		1,018,656	885,798
General and administrative expenses		(1,872,690)	(1,869,863)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat And Directors' remuneration		4,291,609	3,066,293
KFAS		(38,624)	(27,662)
NLST		(102,809)	(75,773)
ZAKAT		(46,121)	(31,131)
Directors› remuneration	19	(45,000)	(45,000)
Profit for the year		4,059,055	2,886,727
Basic and diluted earnings per share	18	12.41 Fils	8.78 Fils

The notes on pages 8 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS AT DECEMBER 31, 2011

	2011	2010
	KD	KD
Profit for the year	4,059,055	2,886,727
Other comprehensive income :		
Change in fair value of available for sale. investments	(84,932)	207,812
Transferred to consolidated statement of income on sale of available for sale. investments	26,316	114,142
Transferred to consolidated statement of income on impairment of available for sale investments	201,068	-
Other comprehensive income	142,452	321,954
Total comprehensive income for the year	4,201,507	3,208,681

The notes on pages 8 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOF THE YEAR ENDED DECEMBER 31, 2011

	Share capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
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	-	(1,507,057)	-	-	-	-	-	(1,507,057)
Dividends paid for 2009	-	-	-	-	-	-	(2,997,265)	(2,997,265)
Transfers to reserves	-	-	-	306,629	306,629	-	(613,258)	-
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 2011	29,972,654	(1,507,057)	-	1,925,786	1,925,786	194,903	5,470,326	37,982,398
Profit for the year	-	-	-	-	-	-	4,059,055	4,059,055
Other comprehensive income	-	-	-	-	-	142,452	-	142,452
Total comprehensive income for the year	-	-	-	-	-	142,452	4,059,055	4,201,507
Purchase of treasury shares	-	(1,597,451)	-	-	-	-	-	(1,597,451)
Sale of treasury shares	-	1,821,496	36,330	-	-	-	-	1,857,826
Issuance of 10% bonus shares (Note 12)	2,997,265	-	-	-	-	-	(2,997,265)	-
Transfers to reserves	-	-	-	429,161	429,161	-	(858,322)	-
Balance at 31 December 2011	32,969,919	(1,283,012)	36,330	2,354,947	2,354,947	337,355	5,673,794	42,444,280

The notes on pages 8 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT DECEMBER 31, 2011

	Notes	2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit for the year		4,059,055	2,886,727
Adjustment for:			
Amortization	4&6	917,438	917,438
Depreciation	5	569,422	576,032
Provision for staff indemnity		72,316	72,781
Share of results from associate	7	(11,238)	1,687
Loss on sale of available for sale investments		26,316	114,142
Impairment loss on available for sale investments	8	201,068	-
Dividend income		(8,718)	(36,026)
Interest income		(273,243)	(328,133)
		5,552,416	4,204,648
Change in working capital:			
Inventories		29,894	6,904
Trade and other receivables		(688,220)	(758,142)
Trade and other payables		766,748	(827,542)
Due to related parties		2,979,365	(751,764)
		8,640,203	1,874,104
Staff indemnity paid		(51,859)	(98,427)
Net cash from operating activities		8,588,344	1,775,677
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,549,309)	(433,504)
Net movement on avaialbe for slae investments		42,366	582,522
Net movement in term deposits		2,750,000	(4,675,000)
Dividend income received		8,718	36,026
Interest income received		273,243	328,133
Net cash from / (used in) investing activities		525,018	(4,161,823)
FINANCING ACTIVITIES			
Dividends paid		(111,825)	(1,788,431)
Purchase of treasury shares		(1,597,451)	(1,507,057)
Sale of treasury shares		1,857,826	-
Net cash from / (used in) financing activities		148,550	(3,295,488)
Increase / (decrease) in cash and cash equivalents		9,261,912	(5,681,634)
Cash and cash equivalents at the beginning of year		1,704,888	7,386,522
Cash and cash equivalents at the end of the year	11	10,966,800	1,704,888

The notes on pages 8 to 33 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 2011 were authorised for issue by the board of directors of the parent company on 1 March 2012 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 head office of the Parent Company is located in Alqebla area, P.O. Box 29009, Safat 13151, State of 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. ADOPTION OF NEW / REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 New / revised IFRS adopted by the Group

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the adoption of the following new and amended IASB Standards during the year:

IAS 24 Related Party Disclosures (Revised)

The definition of a related party was revised to simplify the identification of such relationships and to eliminate inconsistencies in its application. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32: Financial Instruments: Presentation - (Amended)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues in foreign currency and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the consolidated financial statements or performance of the Group.

2. ADOPTION OF NEW / REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

2.1 New / revised IFRS adopted by the Group (continued)

Improvements to IFRSs (May 2010):

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to remove inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendment resulted in changes to accounting policies, but no impact on the consolidated financial statements or performance of the Group.

IAS 1 Presentation of Financial Statements (Amendment)

The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in the statement of changes in equity.

2.2 New /revised IFRS in issue but not yet effective and not early adopted by the Group

IFRS 7 Disclosures Transfers of Financial Assets- Amendments	Effective for annual periods beginning on or after 1 July 2011
IFRS 9 Financial Instruments	Effective for annual periods beginning on or after 1 January 2015
IFRS 10 Consolidated Financial Statements	Effective for annual periods beginning on or after 1 January 2013
IFRS 11 Joint Arrangements	Effective for annual periods beginning on or after 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	Effective for annual periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	Effective for annual periods beginning on or after 1 January 2013
IAS 1, Presentation of Items of Other Comprehensive Income - Amendments	Effective for annual periods beginning on or after 1 July 2012
IAS 27 (as revised in 2011) Separate Financial Statements	Effective for annual periods beginning on or after 1 January 2013
IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures	Effective for annual periods beginning on or after 1 January 2013

The major changes are as follows:

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the Group's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

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 and financial liabilities as defined in IAS 39. The Standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The application of IFRS 9 is under local regulatory review for adoption in the state of Kuwait.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management

to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

2. ADOPTION OF NEW / REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

2.2 New /revised IFRS in issue but not yet effective and not early adopted by the Group (continued)

The Group is currently assessing the impact that this standard will have on the financial position and performance. This Standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 27: Separate Financial Statements

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

Adoption of other IASB Standards will not have material effect on the consolidated financial statements or performance of the Group. Additional disclosures will be made in the consolidated financial statements when these Standards become effective.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinar ("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.

3.2 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.

3.3 Basis of consolidation

These consolidated financial statements include the financial statements of the Parent Company and its subsidiaries which are 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 an enterprise so as to obtain benefits from its activities.

The financial statements of the subsidiaries are included in these consolidated financial statements on a line by line basis from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

Non-controlling interests represents the equity in the subsidiaries not attributable directly or indirectly to the equity holders of the Parent Company. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity. Losses within a subsidiary are attributed to the non controlling interests 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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in foreign exchange translation reserve
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in consolidated statement of income
- Reclassifies the Group's share of components previously recognised in other comprehensive income to consolidated statement of income.

Details of the Parent company's subsidiary at 31 December 2011 is as follows:

Name of the subsidiary	**Principal activity**	**Country of incorporation**	**Effective interest**	
			2011	**2010**
Ultra Holding Company – Kuwaiti Holding Company (Previously Oula National for Marketing Services K.S.C.C)	Holding	Kuwait	96%	96%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 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 that is deemed to be an asset or 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 will not be remeasured.Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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.

3.5 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.

Amortizartion is calculated on straight line basis over the estimated useful life of 26 years.

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.

3.6 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
Buildings	20 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 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.

Leasehold rights are amortised over their useful economic life and assessed for impairment whenever there is an indication that the leasehold rights may be impaired. The amortisation period and the amortisation method for leasehold rights 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 is recognised in the consolidated statement of income.

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.

3.8 Investment in associate

Investment in associates are accounted for using the equity method of accounting. An associate is an entity in which the group has significant influence.

Under the equity method, investment in associates are 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 associates 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 associates and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates 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.

3.9 Financial instruments – initial recognition and subsequent measurement

3.9.1 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.

Initial recognition and measurement (conitnued)

The group's financial assets include cash and cash equivalents, accounts receivables, and financial assets available for sale. At 31 December 2011, 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 24.

Derecognition

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments – initial recognition and subsequent measurement (continued)

3.9.1 Financial assets (continued)

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.

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.

3.9.2 Impairment of financial assets

The Group assesses at each financial position 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.

Available for sale investments

For financial asset available for sale, the group assesses at each financial position 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.

3.9.3 Impairment of non-financial assets

The Group assesses at each financial position 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.

3.9.4 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 payables and other liabilities.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments – initial recognition and subsequent measurement (continued)

3.9.4 Financial liabilities (continued)

Other liabilities

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

Dividends payable

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

Derecognition

A financial liability is derecognised 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 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.

3.9.5 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.

3.9.6 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.

3.9.7 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.

3.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business , less estimated cost of completion and estimated cost necessary to make the sale.

3.11 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.

3.12 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.

3.13 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.

3.14 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:

3.14.1 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.

3.14.2 Dividend income

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

3.14.3 Interest income

Interest revenue is recognised in the consolidated statement of income for all interest-bearing financial instruments using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Revenue recognition (continued)

3.15 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. 582007/.

3.16 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.

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.

4. INTANGIBLE ASSETS

	2011	2010
Cost		
At 1 January	1,786,090	1,786,090
At 31 December	1,786,090	1,786,090
Accumulated amortization		
At 1 January	128,844	64,422
Charge for the year	64,422	64,422
At 31 December	193,266	128,844
Net book value		
At 31 December	1,592,824	1,657,246

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

5. PROPERTY AND EQUIPMENT

	Land and buildings	Fuel stations	Furniture and decorations	Computers	Plant and equipment	Projects in progress	Total
Cost	KD	KD	KD	KD	KD	KD	KD
At 1 January 2010							
Additions	-	4,650,874	519,949	1,160,162	204,673	4,096,420	10,632,078
Transfer	-	-	-	-	-	433,504	433,504
At 31 December 2010	-	1,265,901	-	-	57,830	(1,323,731)	-
Accumulated depreciation	-	5,916,775	519,949	1,160,162	262,503	3,206,193	11,065,582
At 1 January 2010							
Charge for the year	-	3,931,141	268,236	580,895	170,337	-	4,950,609
At 31 December 2010	-	170,149	122,615	244,622	38,646	-	576,032
Net book value	-	4,101,290	390,851	825,517	208,983	-	5,526,641
At 31 December 2010							
	-	1,815,485	129,098	334,645	53,520	3,206,193	5,538,941
Cost							
At 1 January 2011							
Additions	-	5,916,775	519,949	1,160,162	262,503	3,206,193	11,065,582
Transfer	2,038,145	-	-	-	-	810,338	2,848,483
At 31 December 2011	-	-	-	472,818	-	(472,818)	-
Accumulated depreciation	2,038,145	5,916,775	519,949	1,632,980	262,503	3,543,713	13,914,065
At 1 January 2011							
Charge for the year	-	4,101,290	390,851	825,517	208,983	-	5,526,641
At 31 December 2011	15,636	200,077	119,910	195,369	38,430	-	569,422
Net book value	15,636	4,301,367	510,761	1,020,886	247,413	-	6,096,063
At 31 December 2011							
	2,022,509	1,615,408	9,188	612,094	15,090	3,543,713	7,818,002

The building is constructed on freehold land

6. LEASEHOLD RIGHTS

	2011	2010
	KD	KD
Cost		
At 1 January	22,178,410	22,178,410
At 31 December	22,178,410	22,178,410
Accumulated amortisation		
At 1 January	1,706,032	853,016
Charge for the year	853,016	853,016
At 31 December	2,559,048	1,706,032
Net book value		
At 31 December	19,619,362	20,473,378

Leasehold rights represent the right of use of the land for fuel stations by the Group, which are amortised on a straight line basis over the useful economic life of 26 years.

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	
		2011	2010	2011	2010
		%	%	KD	KD
Petronet Global Computer Services K.S.C.C.	Kuwait	25	25	462,404	451,166

	2011	2010
	KD	KD
Share of associate's statement of financial position:		
Share of assets	1,500,615	1,356,003
Share of liabilities	(1,195,198)	(1,061,825)
Share of net assets	305,417	294,178
Goodwill	156,987	156,988
Carrying amount of investment	462,404	451,166

	2011	2010
	KD	KD
Share of associate's revenue and results:		
Revenue	4,281,746	5,737,734
Share of result from associate	11,238	(1,687)

8. AVAILABLE FOR SALE. INVESTMENTS

	2011	2010
	KD	KD
Investments in managed portfolios of equity securities	5,000,104	5,103,855
Managed funds	259,148	282,473
	5,259,252	5,386,328

Investments in managed portfolios of equity securities amounting to KD 4,449,901 (2010: KD 4,345,158) are managed by a related party (Note 17).

As at 31 December 2011, impairment losses amounting to KD 201,068 (2010: KD Nil) 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

	2011	2010
	KD	KD
Trade receivables	2,093,761	1,325,750
Prepayments	537,622	610,268
Refundable deposits	12,000	61,350
Other receivable	225,537	183,550
	2,868,920	2,180,918

In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the consolidated financial statements date.

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 2.00%- 2.88% per annum (2010: ranges from 2.60% - 2.75% per annum).

11. CASH AND CASH EQUIVALENTS

	2011	2010
	KD	KD
Cash on hand	890,948	592,356
Cash at bank	5,042,268	1,089,090
Term deposits (less than 3 months)	5,013,750	-
Cash at portfolios	19,834	23,442
	10,966,800	١,704,888

12. SHARE CAPITAL

On 19 April 2011, the general assembly of the shareholders of the Parent Company approved the Group's financial statements for the year ended 31 December 2010, and also approved the increase of share capital from KD 29,972,654 to KD 32,969,919 by distributing 10% bonus shares, i.e. 10 shares for every 100 share held by shareholders on the Parent Company's records as at the date of the general assembly meeting and after approval of the relevant authorities.

The authorised, issued and paidup share capital as of 31 December 2011 is KD 32,969,919 distributed into 329,699,194 shares with nominal value of 100 fils per share (KD 29,972,654 distributed into 299,726,540 shares as of 31 December 2010).

13. TREASURY SHARES

	2011	2010
Number of treasury shares	4,258,340	3,940,000
Percentage of ownership	1.29%	1.31%
Market value (KD)	1,256,210	1,556,300
Cost (KD)	1,283,012	1,507,057

14. STATUTORY RESERVES

As required by the Law of Commercial Companies and the Parent Company's articles of association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and Directors' remuneration less accumulated losses brought forward, to be transferred to statutory reserve. The Parent Company's Board of Directors may resolve to discontinue such annual transfers when the reserve either equals or exceeds 50% of the issued 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.

15. VOLUNTARY RESERVES

In accordance with the Parent Company's articles of association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and Directors' remuneration less accumulated losses brought forward, to be transferred to the voluntary reserve. The Parent Company may resolve to discontinue such annual transfers in accordance with a resolution of the Parent Company's ordinary general meeting based on proposal submitted by the Parent Company's Board of Directors.

16. TRADE AND OTHER PAYABLES

	2011	**2010**
	KD	KD
Trade creditors	995,861	479,775
Accrued expense	322,962	264,713
Dividends payable	1,097,009	1,208,834
Directors' remuneration	45,000	45,000
Advance payments and other payables	660,620	169,029
	3,121,452	2,167,351

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:

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

17. RELATED PARTY TRANSACTIONS (continued)

	Major shareholders	Senior management	Total 2011	Total 2010
	KD	KD	KD	KD
Consolidated statement of financial position				
Property and equipment	3,183,481	-	3,183,481	742,937
Available for sale investments (managed by a related party)	4,449,901	-	4,449,901	4,345,158
Due to related party	9,643,448	-	9,643,448	6,664,083
Consolidated statement of income				
Sales of fuel	9,648,605	-	9,648,605	8,285,102
Cost of sales	(76,359,531)	-	(76,359,531)	(68,992,036)
Operating expenses	(552,638)	-	(552,638)	(1,094,217)
Other income	54,000	-	54,000	48,000
General and administrative expenses	(350,312)	-	(350,312)	(208,799)
Compensation of key management personnel	-	74,206	74,206	39,636

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.

	2011	2010
Net profit for the year (KD)	4,059,055	2,886,727
Number of shares at the beginning of the year (share)	329,699,194	329,699,194
Less: Weighted average number of treasury shares (share)	(2,661,858)	(993,315)
Weighted average number of shares outstanding	327,037,336	328,705,879
Basic and diluted earnings per share	12.41 Fils	8.78 Fils

In accordance with International Accounting Standard 33 “Earnings per share”, number of shares for the year, ended 31 December 2010 has been restated for the issue of bonus shares (note 19).

19. PROPOSED DIVIDEND AND DIRECTORS' REMUNERATION

The Board of Directors has recommended the issuance of bonus shares of 5% of paid up share capital (2010: distribution of bonus shares of 10% of paid up capital) and Directors› Remeneration of KD 45,000 (December 2010: KD 45,000). Subject to approval, the dividend shall be payable to the shareholders registered in the Parent Company's records as of the date of the Shareholders' Annual General Assembly meeting. Dividends and Director's Remuneration for 2010 were approved at the Annual General Assembly of the shareholders held on 19 April 2011.

20. EGMENT REPORTING

For management purposes the Group is organized into two major business segments 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 and unqouted shares.

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 and other related services		**Investments**		**Total**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	KD	KD	KD	KD	KD	KD
Segment revenue	88,542,273	79,672,552	65,815	248,330	88,608,088	79,920,882
Segment profit	3,993,240	2,638,397	65,815	248,330	4,059,055	2,886,727
Assets	43,172,055	31,890,412	12,221,656	15,087,494	55,393,711	46,977,906
Liabilities	12,949,431	8,995,508	-	-	12,949,431	8,995,508
Results						
Depreciation and amortisation	(1,486,860)	(1,493,470)	-	-	(1,486,860)	(1,493,470)
Impairment on available for sale investments	-	-	(201,068)	-	(201,068)	-
Share of result of an associate	-	-	11,238	(1,687)	11,238	(1,687)

The group operate only in the State of Kuwait.

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	
	2011	**2010**
	KD	KD
Financial assets		
Cash and cash equivalents (excluding cash on hand)	10,075,852	1,112,532
Trade and other receivables	2,868,920	2,180,918
Term deposits	6,500,000	9,250,000
	19,444,772	12,543,450

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:

Region	Banking and Financial Institutions	Services sector	Total	Banking and Financial Institutions	Services sector	Total
	2011			**2010**		
	KD	KD	KD	KD	KD	KD
Kuwait	16,575,852	2,868,920	19,444,772	10,362,532	2,180,918	12,543,450

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			
	High grade	Standard grade	Impaired	Total
	2011	2011	2011	2011
	KD	KD	KD	KD
Cash and cash equivalents	10,056,018	19,834	-	10,075,852
Trade receivables	-	2,868,920	-	2,868,920
Term deposits	6,500,000	-	-	6,500,000
	16,556,018	2,888,754	-	19,444,772

	Neither past due nor impaired			
	High grade	Standard grade	Impaired	Total
	2010	2010	2010	2010
	KD	KD	KD	KD
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

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. FINANCIAL RISK MANAGEMENT (continued)

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 equity prices, interest rates and foreign exchange rates, 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 2011	**31 December 2010**
	KD	KD
Term deposits	6,500,000	9,250,000

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 2011. 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 KD	**Effect on consolidated statement of income KD**
2011		
KD	±50	±32,500
2010		
KD	±50	±46,250

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, 2011) 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**	
	2011	**2010**	**2011**	**2010**
Kuwait market	± 5%	± 5%	± 262,962	± 269,316

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.

22. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
31 December 2011				
Available for sale investment				
Investments in managed portfolios of equity securities	811,318	-	4,188,786	5,000,104
Managed funds	-	259,148	-	259,148
Total	811,318	259,148	4,188,786	5,259,252

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
31 December 2010				
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

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 2011	Gain / (loss) recorded in the consolidated statement of income	Gain / (loss) recorded in equity	Net (purchases, sales and settlements)	At 31 December 2011
	KD	KD	KD	KD	KD
Available for sale investments:					
Investments in managed portfolios of equity securities	3,434,878	(91,500)	(91,500)	(570,908)	4,188,786

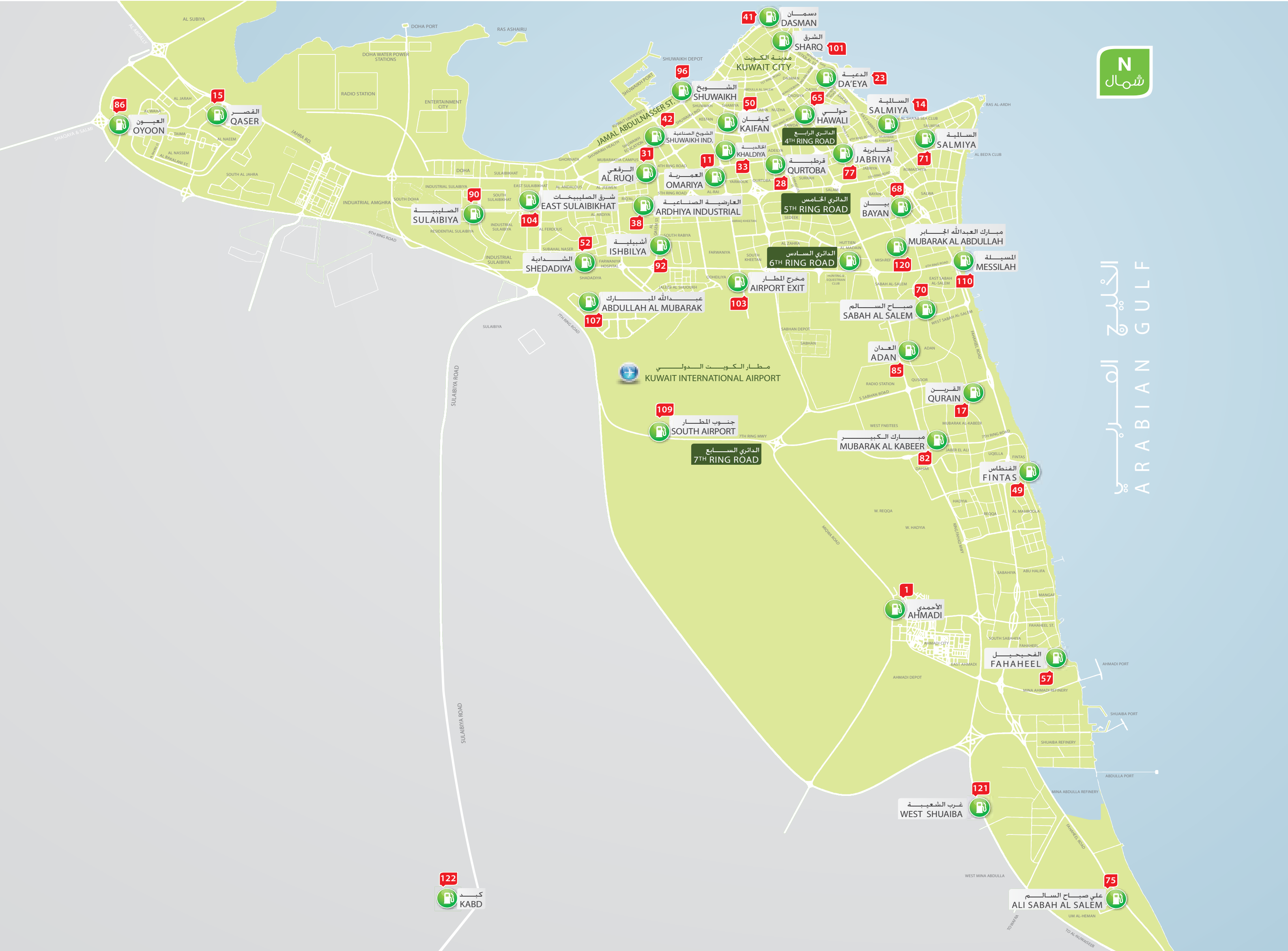
23. CONTINGENT LIABILITIES

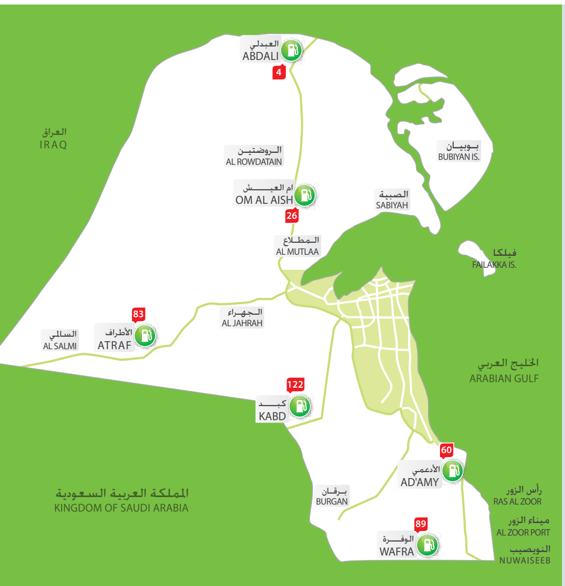
	2011	2010
	KD	KD
Contingent liabilities		
Letters of guarantee	5,008,870	5,006,535

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





Sharq, Block 3, Kuwait Business Town
Tower – Tower 5 – Floor No. 29,30,31
Tel: 1800111 - Fax: 22321111
P.O. Box: 29009 Safat - 13151 Kuwait
www.oula1.com