أولى
oula

Annual Report 2012

1800 111
www.oula1.com

Oula Local Fuel Marketing Company K.S.C

His Highness Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

The 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 Al-Mubarak Al-Hamad Al-Sabah

Prime Minister of the State of Kuwait

CONTENTS

أولى
oula

Item	Page
Board of Directors	4
Chairman's Statement	6
Consolidated Financial Statements	10

BOARD OF DIRECTORS

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

Abdulhussain S. Al-Sultan
Chairman

Saleh Al Temimi
Board Member

Mohammad E. Al-Khateeb
Board Member

Mahdi M. Haidar
Board Member

Adnan D. Alaradi
Board Member

Fadel Al Saraf
Board Member

Mohammad Hayat
Board Member

Dr. Ali H. Abdullah
Board Member

REPORT OF THE BOARD OF DIRECTORS

Respectful shareholders

May Allah's peace, mercy and blessing be upon you

On behalf of myself and my colleagues the board members, we welcome you in your 7th general assembly to discuss Oula, your company, financial reports for the period ending on December 31, 2012.

During 2011, Oula built and renovated four stations. In 2012,the company along with authorities were able to start the operations in 3 of them, namely Kabd, Mubarak Abdallah and Bayan. It is expected that the fourth will start operations soon. The station are equipped according to the latest technology with high standards of safety. Moreover, Oula as granted the margin on fuel sales in all its stations.

Your company has been typically committed to its mission and vision in its operations. We have exerted all needed efforts to enhance the level of service in all the stations while by increasing the operating hours to 24 in the majority of them, linking the inventory control to the central store and boosting safety measures in stations. In addition, Oula introduced the "Oula payment cards" at the stations which will assist the clients in improving controls on expenses.

The executive management has also restructured some departments and created new ones in order to comply with the size and the requirements of the jobs. In addition, the company seeks to employee national talent whereby all station managers are nationals, and the minimum national jobs required by the authorities is exceeded.

During 2012, Oula's operational indicators improved. Total fuel sale revenues increased by about 3.9%, and the operating income reached about KD 4.7 million representing an increase of 11% as compared to what was achieved in 2011. In addition, net non operating income about KD 345 thousand in 2012 as compared to about KD 55 thousand in 2011. On the other hand, Oula reserved provision againt the investment in an associate and a debtor for a total of about KD 963 thousand. The company reverted to the legal channels to secure your rights.

oula أولى

Net income before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration reached about KD 4.07 million. Net income for the period reached about KD 3.85 million; about 11.29 fils per share (kuwaiti fils 11.82 per share for 2011). In addition, total assets reached about KD 58.6 million as compared to KD 55.4 million in 2011. The company is still free of bank liability while KNPC is the major creditor representing the cost of the fuel purchased. The shareholder equity reached KD 46.2 million (about KD 0.133 per share). As a result, return on average equity and average assets reached

Your company is developing its strategy for the next period in order to find new sources of revenues and improve efficiency while creating job opportunities. Accordingly, Oula will develop its assets and build new structure which may require the need to use financing from banks and other financial institutions. Therefore we recommend the distribution of 5% share dividends (5 shares for each 100 shares) to shareholders registered as on the date of the general assembly. The final decision is left to your discretion.

At the end, allow me to thank you for your ongoing and consistent support to the company which complements its growth and success. Also, I would like to extend my appreciation to the executive management and our colleagues working in the head office and the stations as well as our contractors and customers for their support and confidence.

Abdulhussain S. Al-Sultan

Chairman

2012 IN NUMBERS

During 2012, Oula worked on achieving its mission and visions, accordingly, its departments worked toward that end; some of the results are summarized below.

Station Development

43 operating stations making oula the largest fuel retail provider in Kuwait.

3 stations were revamped in 2011, two of which started operations in 2012, namely Kabd and West Meshref built according to the new prototype, while the third is expected to start operation in 2013.

3 million operation hours were provided to servicing clients in 38 stations operating 24 hrs. Oula is working on increasing the operating hours in the remaining stations according to expected demand.

36 new pumps with international standards were installed in 6 stations. The pumps cater for vapor recovery which provides better safety measures for clients and attendants.

43 automatic tank gauging systems were commissioned in stations/ The systems ensure continuous provision of products for clients.

Stations Services

209 pumps were provided with retractable hoses; this facility was installed in the high traffic stations like; Jabriya, Salmiya, Qurain, Hawalli and other stations located on highways. Added pumps to its Jabriya station to meet the growing demand.

8 stations equipped with fast cars wash service (Goewash) were implemented at the stations of Qurain, Keefan, Ali Sabah Al-Salem suburb, Sabah Al-Salem suburb, Ishbella, Abdullah Al-Mubarak suburb, Kabad and Mubarak Al-Kabeer. This service uses water spray and special materials which minimize water waste thus it is considered as environment friendly concept.

15 cash machines (ATM) are added to stations bridging the total number of stations provided cash dispensing machines to 30.

30 oil change centers contracted to a specialized party. The centers cater to all kinds of vehicles and provide the full range of products.

30 new air towers were installed in the stations featuring the new concept or located in high traffic stations.

Human Resources

200 Kuwaitis were employed in supervisory positions at the stations, the Kuwaitization in these positions reached100%.

5 ladies assigned as station managers; the latter action represent part of the Oula vision to provide equal opportunity chance among the genders

100 employees were trained on security, safety, development, sales and service aspects. It is also an aspect of the commitment of Oula to increase the level of professionalism of its employees resulting in better services to clients.

Social Responsibility

230 blood donors participated in the Oula sponsored blood donation campaigns. The campaigns represent one of the annual activities that Oula provides and is well received amongst customers.

100 thousands Kuwait flag were distributed in all stations in the occasion of the National and Liberation day.

79 sports' tournaments were sponsored during Rodan Soccer Tournament in Ramadan. This initiative was driven by the company's commitment to encourage the youth and support their activities.

Safety & Environment

The silver award: Oula was awareded the silver award by the American Society of Safety Engineering 2012.

1000 hours were assigned to ensure security and safety by specialized teams in each station. That is according to the company endeavors to lever its services as well as its safety measurements.

15 employees were trained on internal auditing according to Code of Practice (COP).

200 stations managers have been trained on the safety procedures including fire and environment related aspects.

Oula Local 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, 2012

أولى
oula

Item	Page
Independent Auditors’ Report	12
Consolidated Statement of Financial Position	14
Consolidated Statement of Income	15
Consolidated Statement of Comprehensive Income	16
Consolidated Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18
Notes to the Consolidated Financial Statements	19
Oula Stations List	49
Contact Guide	50

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") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, 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 policies 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 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

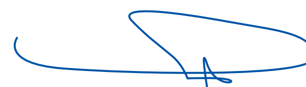
Emphasis of matter

We draw attention to note 8 to the consolidated financial statements which describes the legal case filed by the Parent Company against its associate, PetroNet Smart Network Company K.S.C. (Closed). Our opinion is not qualified in respect of this matter.

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 Companies Law No 25 of 2012, and by the Parent Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, nor of the Parent Company's Articles of Association, have occurred during the year ended 31 December 2012 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
AL-AIBAN, AL OSAIMI & PARTNERS

5 March 2013
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	Notes	**2012 KD**	2011 KD
Assets			
Non-current assets			
Intangible assets	5	1,528,402	1,592,824
Leasehold rights	6	18,766,346	19,619,362
Property and equipment	7	6,671,722	7,818,002
Investment in an associate	8	-	462,404
Financial assets available for sale	9	9,268,169	5,259,252
		36,234,639	34,751,844
Current assets			
Inventories		243,428	306,147
Trade and other receivables	10	4,938,749	2,868,920
Term deposits	11	9,824,313	6,500,000
Cash and cash equivalents	12	5,401,336	10,966,800
		20,407,826	20,641,867
Non-current Assets held for sale	13	1,988,110	-
Total assets		58,630,575	55,393,711
Equity and liabilities			
Equity			
Share capital	14	34,618,415	32,969,919
Treasury shares	15	(1,444,239)	(1,283,012)
Treasury shares reserve	15	86,127	36,330
Statutory reserve	16	2,763,251	2,354,947
Voluntary reserve	17	2,763,251	2,354,947
Fair value reserve		381,783	337,355
Retained earnings		7,056,761	5,673,794
Total equity		46,225,349	42,444,280
Liabilities			
Non current liabilities			
Provision for staff indemnity		205,285	184,531
		205,285	184,531
Current liabilities			
Trade and other payables	18	3,203,835	3,121,452
Ijara payables	19	789,296	-
Due to related parties	20	8,206,810	9,643,448
		12,199,941	12,764,900
Total liabilities		12,405,226	12,949,431
Total equity and liabilities		58,630,575	55,393,711

Abdul Hussain S. Al Sultan
Chairman

Sheikh Talal Khaled Al-Ahmad Al-Sabah
Vice Chairman

The notes on pages 1 to 26 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

FOF THE YEAR ENDED DECEMBER 31, 2012

	Notes	2012 KD	2011 KD
Sales		90,951,414	87,523,617
Cost of sales	20	(79,309,634)	(76,359,531)
Operating expenses		(6,030,386)	(6,084,258)
Gross profit		5,611,394	5,079,828
Share of results of an associate	8	-	11,238
Gain (loss) on sale of financial assets available for sale	9	105,216	(26,316)
Dividends income		53,034	8,718
Impairment on financial assets available for sale	9	-	(201,068)
Impairment on an associate	8	(463,524)	-
Interest income		187,643	273,243
Other income		1,135,422	1,018,656
Impairment on trade and other receivables	10	(500,000)	-
General and administrative expenses		(2,056,147)	(1,872,690)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		4,073,038	4,291,609
KFAS		(36,748)	(38,624)
NLST		(101,843)	(102,809)
ZAKAT		(41,376)	(46,121)
Directors' remuneration	22	(45,000)	(45,000)
Profit for the year		3,848,071	4,059,055
Basic and diluted earnings per share	21	11.29 Fils	11.82 Fils

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS AT DECEMBER 31, 2012

	2012	2011
	KD	KD
Profit for the year	3,848,071	4,059,055
Other comprehensive income :		
Change in fair value of financial assets available for sales	(60,788)	(84,932)
Transferred to consolidated statement of income on sale of financial assets available for sale	105,216	26,316
Transferred to consolidated statement of income on impairment of financial assets available for sale	-	201,068
Other comprehensive income	44,428	142,452
Total comprehensive income for the year	3,892,499	4,201,507

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Share capital KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2012	32,969,919	(1,283,012)	36,330	2,354,947	2,354,947	337,355	5,673,794	42,444,280
Profit for the year	-	-	-	-	-	-	3,848,071	3,848,071
Other comprehensive income	-	-	-	-	-	44,428	-	44,428
Total comprehensive income for the year	-	-	-	-	-	44,428	3,848,071	3,892,499
Purchase of treasury shares	-	(362,981)	-	-	-	-	-	(362,981)
Sale of treasury shares	-	201,754	49,797	-	-	-	-	251,551
Issuance of 5% bonus shares (Note 22)	1,648,496	-	-	-	-	-	(1,648,496)	-
Transfers to reserves	-	-	-	408,304	408,304	-	(816,608)	-
Balance at 31 December 2012	34,618,415	(1,444,239)	86,127	2,763,251	2,763,251	381,783	7,056,761	46,225,349
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 22)	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

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT DECEMBER 31, 2012

	Notes	2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit for the year		3,848,071	4,059,055
Adjustment for:			
Amortization	5&6	917,438	917,438
Depreciation	7	498,093	569,422
Provision for staff indemnity		81,857	72,316
Share of results of an associate		-	(11,238)
Impairment on an associate	8	463,524	-
(Gain) loss on sale of financial assets available for sale	9	(105,216)	26,316
Impairment on financial assets available for sale	9	-	201,068
Impairment on trade and other receivables	10	500,000	-
Dividend income		(53,034)	(8,718)
Interest income		(187,643)	(273,243)
		5,963,090	5,552,416
Change in working capital:			
Inventories		62,719	29,894
Trade and other receivables		(2,570,949)	(688,002)
Trade and other payables		82,383	766,748
Due to related parties		(1,436,638)	2,979,365
		2,100,605	8,640,421
Staff indemnity paid		(61,103)	(51,859)
Net cash from operating activities		2,039,502	8,588,562
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(1,339,923)	(2,549,309)
Purchase of financial assets available for sale		(4,470,844)	(2,738,054)
Proceed from financial assets available for sale		611,571	2,780,420
Net movement in term deposits		(3,324,313)	2,750,000
Dividend income received		53,034	8,718
Interest income received		187,643	273,026
Net cash (used in) / from investing activities		(8,282,832)	524,801
FINANCING ACTIVITIES			
Dividends paid		-	(111,826)
Purchase of treasury shares		(362,981)	(1,597,451)
Sale of treasury shares		251,551	1,857,826
Increase in Ijara payables		1,000,000	-
Ijara costs paid		(210,704)	-
Net cash from financing activities		677,866	148,549
(Decrease) increase in cash and cash equivalents		(5,565,464)	9,261,912
Cash and cash equivalents at the beginning of year		10,966,800	1,704,888
Cash and cash equivalents at the end of the year	12	5,401,336	10,966,800

1- CORPORATE INFORMATION

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 2012 were authorised for issue by the board of directors on -----------------2013 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.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. According to article 2 of the Decree, the Parent Company has a period of 6 months from 29 November 2012 to regularize its affairs in accordance with the Companies Law.

2- ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

The adoption of the standards or interpretations is described below:

• IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has been no effect on the Group's financial position, performance or its disclosures.

• 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

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.1 New and revised IFRSs adopted by the Group (Continued)

understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

• IFRS 5 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.2 New and revised International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued, but not yet adopted

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to be applicable at the future date. The Group intends to adopt these standards when they become effective. However, the Group expects no significant impact from the adoption of the amendment on its financial position or performance.

• IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). 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, and will therefore be applied in the Group's first annual report after becoming effective

• IAS 27 Separate Financial Statements (as revised in 2011)

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.

• IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The standard has no effect on the financial position or performance of the Group. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

• 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. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. 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 standard is effective for annual periods beginning on or after 1 January 2015.

• 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. It 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 judgement 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. The Group is currently assessing the impact that this standard will have on the financial position and performance.

• IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities (JCE)- Non-monetary Contributions by Ventures. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The amendment is deemed to have no impact on the consolidated financial statements of the Group. 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. The standard 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. 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

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

2.2 New and revised International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued, but not yet adopted (continued)

beginning on or after 1 January 2013.

• IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group made a voluntary change in accounting policy to recognise actuarial gains and losses in other comprehensive income in the current period. However, the amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

• IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

Improvements May 2012:

These improvements will not have an impact on the Group, but include:

• IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

• IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

• IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

These improvements are effective for the annual periods begenning of after 1 January 2013.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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 Companies Law number 25 of 2012.

The consolidated financial statements have been prepared on a historical cost basis; except for certain financial assets available for sales stated at fair value.The consolidated financial statements are presented in Kuwaiti Dinar ("KD").

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 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 for non-current assets held for sale.

3.3 Basis of consolidation

The consolidated financial statements comprise the Parent Company and its subsidiaries drawn up to 31 December 2012.

Subsidiaries are all entities over which the parent company has the power to control the financial and operating policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated in full on consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. 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 equity.
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of income
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Basis of consolidation (continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to consolidated statement of income or transferred directly to retained earnings as specified by applicable IFRSs).

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.

3.4 Business combinations and Goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for 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 has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained. 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 as the expense category that is consistent with the function of the intangible assets.

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 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the previous carrying amount and fair value less costs to sell.

3.7 Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and 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 depreciates them accordingly, 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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Property and equipment (continued)

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.

3.8 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.

3.9 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, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.. 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 oattributable to equity holders of the associates and therefore is profit or loss 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 Group. 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 loss as 'Share of losses of an associate' 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 is recognised in the consolidated statement of income.

3.10 Financial instruments – initial recognition and subsequent measurement

3.10.1 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.

The Group›s financial assets include cash and cash equivalents, trade and other receivables, and financial assets available for sale. At 31 December 2012, 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. The losses arising from impairment are recognised in the statement of income in finance costs for loans and in cost of sales or other operating expenses for receivables. Bad debts are written off when there is no possibility of recovery.

Financial assets available for sale

Financial assets available for sales 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, financial assets available for sales are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.10.1 Financial assets (continued)

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.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the Effective Interest Rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25.

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.

Derecognition (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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

Financial assets available for sale

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.10.1 Financial assets (continued)

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.

3.10.2 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, net of directly attributable transactions costs.

The Group's financial liabilities include trade and other payables and Ijara payable.

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.

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 .

Ijara payable

Ijara is an Islamic transaction involving the purchase and immediate lease of am asset at fair value where the lessor conveys to the lessee the right to use the asset for an agreed period of time in returen the payment or series of payments. At the end of the lease term, the lessee has the option to purchase the asset.

Derecognition of financial liabilities:

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.

3.10.3 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.

3.10.4 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.

3.10.5 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.

3.10.6 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.10.6 Financial assets (continued)

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

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.

3.11 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.

3.12 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 regardless of when the payment is being made. Revenue is valued at the fair value of the consideration received or receivable, taking in to account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if its acting as principal or agent. The Group has conculded that it is acting as a princapal in all of its revenue arrangements. The following recognition criteria must also be met before revenue is recognised:

3.12.1 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.

3.12.2 Dividend income

Dividend income is recognised when the right to receive the dividend is established which is generally when shareholders approve the dividend.

3.12.3 Interest income

Interest revenue is recognised in the Statement of comprehensive income for all interest-bearing financial instruments using the effective interest method. Effective Interest Rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

3.13 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/.

3.14 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 financial assets available for sale

The Group treats financial assets available for sales 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:

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Significant accounting judgments, estimates and assumptions (continued)

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 SUBSIDIARY

Details of the Parent Company's subsidiary at 31 December 2012 is as follows:

	Principal	**Country of**	Effective interest	
Name of the subsidiary	**activity**	**incorporation**	2012	2011
Ultra Holding Company – Kuwaiti Holding Company (Previously Oula National for Marketing Services K.S.C.C.)	Holding	Kuwait	100%	100%

5 INTANGIBLE ASSETS

	2012	2011
Cost	KD	KD
At 1 January	1,786,090	1,786,090
At 31 December	1,786,090	1,786,090
Accumulated amortization		
At 1 January	193,266	128,844
Charge for the year	64,422	64,422
At 31 December	257,688	193,266
Net book value		
At 31 December	1,528,402	1,592,824

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

6 LEASEHOLD RIGHTS

	2012	2011
	KD	KD
Cost		
At 1 January	22,178,410	22,178,410
At 31 December	22,178,410	22,178,410
Accumulated amortization		
At 1 January	2,559,048	1,706,032
Charge for the year	853,016	853,016
At 31 December	3,412,064	2,559,048
Net book value		
At 31 December	18,766,346	19,619,362

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

7 PROPERTY AND EQUIPMENT

	Buildings KD	Fuel stations KD	Furniture and decorations KD	Computers KD	Plant and equipment KD	Vehicles KD	Projects in progress KD	Total KD
Cost								
At 1 January 2012	2,038,145	5,916,775	519,949	1,632,980	262,503	-	3,543,713	13,914,065
Additions	-	-	-	-	-	8,727	1,331,196	1,339,923
Transfer to non-current assets held for sale (Note 13)	(2,038,145)	-	-	-	-	-	-	(2,038,145)
Transfer	-	1,054,658	-	-	57,830	-	(1,112,488)	-
At 31 December 2012	-	6,971,433	519,949	1,632,980	320,333	8,727	3,762,421	13,215,843
Accumulated depreciation								
At 1 January 2012	15,636	4,301,367	510,761	1,020,886	247,413	-	-	6,096,063
Charge for the year	34,399	186,473	9,187	248,789	18,700	545	-	498,093
Transfer to non-current assets held for sale (Note 13)	(50,035)	-	-	-	-	-	-	(50,035)
At 31 December 2012	-	4,487,840	519,948	1,269,675	266,113	545	-	6,544,121
Net book value								
At 31 December 2012	-	2,483,593	1	363,305	54,220	8,182	3,762,421	6,671,722
Cost								
At 1 January 2011	-	5,916,775	519,949	1,160,162	262,503	-	3,206,193	11,065,582
Additions	2,038,145	-	-	-	-	-	810,338	2,848,483
Transfer	-	-	-	472,818	-	-	(472,818)	-
At 31 December 2011	2,038,145	5,916,775	519,949	1,632,980	262,503	-	3,543,713	13,914,065
Accumulated depreciation								
At 1 January 2011	-	4,101,290	390,851	825,517	208,983	-	-	5,526,641
Charge for the year	15,636	200,077	119,910	195,369	38,430	-	-	569,422
At 31 December 2011	15,636	4,301,367	510,761	1,020,886	247,413	-	-	6,096,063
Net book value								
At 31 December 2011	2,022,509	1,615,408	9,188	612,094	15,090	-	3,543,713	7,818,002

The gross carrying value of fully depreciated furniture and decoration still in use at the financial position date is KD 519,949 (2011: KD 519,949).

8 INVESTMENT IN AN ASSOCIATE

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

Name of associate	Country of Incorporation	Percentage of ownership interest		Book value	
		2012	**2011**	**2012**	**2011**
		%	%	KD	KD
Petronet Global Computer Services K.S.C.C.	Kuwait	25	25	-	462,404

During the year, PetroNet Smart Network Company K.S.C. (Closed) ('the associate') filed liquidation petition with the ministry of commerce, however the parent company filed an objection petition to suspend liquidation petition and filed another legal case against the associate and its management to recover the outstanding receivable balance of KD 2,831,794.

The litigation is at its initial stage, however the management of the Group has fully impaired its investment in associate and has charged an impairment loss of KD 500,000 against the receivable balance, the management of the Parent Company is confident that the remaining receivable balance will be fully recovered.

9 FINANCIAL ASSETS AVAILABLE FOR SALE

	2012	**2011**
	KD	KD
Investment in managed portfolios of equity securities	5,854,088	5,000,104
Managed funds	263,930	259,148
Investment in managed portfolios of real estate properties	3,150,151	-
	9,268,169	5,259,252
Investments carried at fair value	4,217,226	770,380
Investments carried at cost	5,050,943	4,488,872
	9,268,169	5,259,252

Investment in managed portfolios of equity securities with carrying value of 803,145 (2011: KD 511,232) are carried at fair value based on last bid prices of Kuwait Stock Exchange. Investments with carrying value of KD 5,050,943 (2011:KD 4,488,872) are carried at cost. At the reporting date, the management has carried out a detailed review on these investments to access whether there is objective evidence that these investments are impaired, and as a result, no impairment losses were made against investments in managed portfolios of equity securities on which there has been a significant or prolonged decline in value (2011: KD 201,068).

Managed funds are carried at Net Asset Value as advised by the funds managers.

Investment in managed portfolios of real estate properties are carried at fair value as advised by the portfolio managers.

Investments amounting to KD 9,268,169 (2011: 4,449,801) are managed by a related party (Note 20).

10 TRADE AND OTHER RECEIVABLES

	2012	2011
	KD	KD
Trade receivables	2,850,647	2,093,761
Prepayments	1,176,078	537,622
Refundable deposits	19,200	12,000
Other receivable	1,392,824	225,537
	5,438,749	2,868,920
Less: Provision for trade receivables	(500,000)	-
	4,938,749	2,868,920

In determining the recoverability of a trade receivable, the Group 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.

Trade receivables includes receivable balance from an associate company amounted to KD 2,831,794. The Group's management has charged impairment loss of KD 500,000 (2011: Nil) in the consolidated statement of income (Note 8).

11 TERM DEPOSITS

Term deposits represents deposits with local and foreign banks with a maturity over a period exceeding three months from the date of the placement. The average effective interest rate on term deposits ranges 1.5% to 2.38% per annum (2011: ranges from 2.00% to 2.88% per annum).

12 CASH AND CASH EQUIVALENTS

	2012	**2011**
	KD	KD
Cash on hand	457,649	890,948
Cash at bank	4,457,616	5,042,268
Term deposits (less than 3 months)	-	5,042,268
Cash at portfolios	486,071	19,834
	5,401,336	19,834

13 NON-CURRENT ASSET HELD FOR SALE

At the year ended 31 December 2012, the Group's management intends to sell a building previously classified as property and equipments with book value of KD 1,988,110 to a related party. The deal has been agreed by the parties; however the formalities will be completed within the next year. As a result, the building has been classified as non-current asset held for sale as per International Financial Reporting Standard 5: Non-current Assets held for sale and discontinued operations.

	2012	2011
	KD	KD
Depreciation expense charged during the year	34,399	15,636

14 SHARE CAPITAL

	2012	2011
	KD	KD
Authorized, issued and fully paid :		
346,184,159 (2011: 329,699,194) shares of 100 fils each	34,618,415	32,969,919

The movement in ordinary shares in issue during the year was as follows:

	2012	2011
Number of shares in issue 1 January	329,699,194	299,726,544
Issuance of bonus shares	16,484,965	29,972,650
Number of shares in issue 31 December	346,184,159	329,699,194

15 TREASURY SHARES

	2012	2011
Number of treasury shares	5,075,770	4,258,340
Percentage of ownership	1.47%	1.29%
Market value (KD)	1,167,427	1,256,210
Cost (KD)	1,444,239	1,283,012

Treasury shares reserve equivalent to the cost of the treasury shares held is not available for distribution.

16 STATUTORY RESERVE

As required by the Companies Law 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. Statutory reserve is shown separately within equity.

17 VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, the Parent Company is required to transfer a percentage of its profit for the year to the Voluntary reserved based on the Parent Company's Board of Directors recommendation. The Parent Company's Board of Directors has recommended 10% of the profit for the year ended 31 December 2012 before contribution of Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and Directors' remuneration. The transfer is subject to approval by the Annual General Assembly of the shareholders of the Parent Company. 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. Voluntary reserve is shown separately within equity.

18 TRADE AND OTHER PAYABLES

	2012	**2011**
	KD	KD
Trade creditors	434,693	995,861
Accrued expense	1,080,728	322,962
Dividends payable	998,762	1,097,009
Directors' remuneration	67,000	45,000
Advance payments and other payables	622,652	660,620
	3,203,835	3,121,452

19 IJARA PAYABLES

	2012	**2011**
	KD	KD
Gross amount	1,000,000	-
Less: defferred profit payable	(210,704)	-
	789,296	-

Ijara Payables represents Ijara with a local bank, the fair value of Ijara payables approximates the carrying value as at 31 December 2012. The effective rate of profit payable approximate 3.5%.

20 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:

	Shareholders KD	Entities under common control KD	Associate KD	Management KD	Total 2012 KD	Total 2011 KD
Consolidated statement of financial position						
Financial assets available for sale (managed by related party)	-	9,356,129	-	-	9,356,129	4,449,801
Due to related party	8,206,810	-	-	-	8,206,810	9,643,448
Trade and other receivables	-	1,250,000	2,268,693	-	3,518,693	2,102,692
Consolidated statement of income						
Sales	1,010,175	-	-	-	1,010,175	9,648,605
Cost of sales	(79,309,634)	-	-	-	(79,309,634)	(76,359,531)
Operating expenses	(6,195)	(589,396)	-	-	(595,591)	(552,638)
Other income	-	-	-	-	-	54,000
General and administrative expenses	(481,745)	-	-	-	(481,745)	(350,312)
Board of directors renumeration	-	-	-	69,000	69,000	74,206
Contingent liabilities						
Letter of guarantee	5,007,475	-	-	-	5,007,475	5,008,870

Compensation of key management personnel of the Group:

The remuneration of key management personnel of the Group during the year were as follow:

	2012	**2011**
	KD	KD
Salaries	78,084	74,206
	78,084	74,206

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2012, the Group has recorded impairment of receivables relating to amounts owed by related parties amount of KD 500,000 (2011: KD Nil) (Note 8).

This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

21 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing the 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.

	2012	2011
Profit for the year (KD)	3,848,071	4,059,055
Weighted average number of shares outstanding during the year, excluding treasury shares (shares)	340,850,712	343,262,884
Basic and diluted earnings per share (fils)	11.29	11.82

In accordance with International Accounting Standard 33 “Earnings per share”, number of shares for the year, ended 31 December 2011 has been restated for the issue of bonus shares (Note 22).

22 PROPOSED DIVIDEND AND DIRECTORS’ REMUNERATION

The Annual General Assembly meeting held on 9 April 2012 approved the audited financial statements for the year ended 31 December 2011, distribution of bonus shares of 5% of paid up capital for the year ended 31 December 2011 (31 December 2010: distribution of bonus shares of 10% of paid up capital) and the directors› remuneration of KD 45,000 (31 December 2010: KD 45,000).

For the current year the proposed directors’ remuneration of KD 45,000 is subject to approval by the General Assembly Meeting of the shareholders of the Parent Company.

23 SEGMENT 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 managed funds.

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	
	2012	2011	2012	2011	2012	2011
	KD	KD	KD	KD	KD	KD
Segment revenue	92,086,836	88,542,273	345,893	65,815	92,432,729	88,608,088
Results						
Depreciation and amortisation	(1,415,531)	(1,486,860)	-	-	(1,415,531)	(1,486,860)
Impairment on financial assets available for sale	-	-	-	(201,068)	-	(201,068)
Share of result of an associate	-	-	-	11,238	-	11,238
Impairment of an associate	-	-	(463,524)	-	(463,524)	-
Impairment of trade and other receivables	(500,000)	-	-	-	(500,000)	-
Segment profit	3,965,702	3,993,240	(117,631)	65,815	3,848,071	4,059,055
Assets	36,299,983	43,172,055	22,330,592	12,221,656	58,630,575	55,393,711
Liabilities	11,615,930	12,949,431	789,296	-	12,405,226	12,949,431

The Group operates only in the State of Kuwait.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2012 and 2011.

24.1 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 net of provision to credit risk for the components of the consolidated statement of financial position.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 CREDIT RISK (continued)

The gross maximum exposure net of provision is shown below:

	Gross maximum exposure	
	2012	**2011**
	KD	KD
Financial assets		
Trade and other receivables	3,688,749	2,868,920
Term deposits	9,824,313	6,500,000
Cash and cash equivalents (excluding cash on hand)	4,943,687	10,075,852
	18,456,749	19,444,772

Risk concentrations of the maximum exposure to credit risk:

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

	2012			2011		
	Banking	Services sector	Total	Banking	Services sector	Total
	KD	KD	KD	KD	KD	KD
Kuwait	14,768,000	3,688,749	18,456,749	16,556,018	2,888,754	19,444,772

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.

	Neither past due nor impaired			
	High grade	Standard grade	Impaired	Total
	2012	2012	2012	2012
	KD	KD	KD	KD
Trade receivables	-	1,458,102	2,230,647	3,688,749
Term deposits	9,824,313	-	-	9,824,313
Cash and cash equivalents	4,457,616	486,071	-	4,943,687
	14,281,929	1,944,173	2,230,647	18,456,749

	Neither past due nor Impaired			
	High grade 2011 KD	Standard Grade 2011 KD	Impaired 2011 KD	Total 2011 KD
Trade receivables	-	2,868,920	-	2,868,920
Term deposits	6,500,000	-	-	6,500,000
Cash and cash equivalents	10,056,018	19,834	-	10,075,852
	16,556,018	2,888,754	-	19,444,772

Concentration of risk is managed by customer and by industry sector. The maximum credit exposure to any single client as at 31 December 2012 is KD 2,831,749 (2011: KD 2,093,761) no collateral has been taken.

24.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet liabilities as they fall due.

The management has built an appropriate liquidity risk management framework for the management of the Group's short and medium funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and cash equivalents and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On Demand KD	Less than 3 months KD	3 to 12 Months KD	Over 1 year KD	Total KD
2012					
Trade and other payables	3,203,835	-	-	-	3,203,835
Ijara payable	-	1,000,000	-	-	1,000,000
Due to related parties	8,206,810	-	-	-	8,206,810
Total liabilities	11,410,645	1,000,000	-	-	12,410,645
Letters of guarantee	-	-	5,007,475	-	5,007,475
2011					
Trade and other payables	3,121,452	-	-	-	3,121,452
Ijara payable	-	-	-	-	-
Due to related parties	9,643,448	-	-	-	9,643,448
Total liabilities	12,764,900	-	-	-	12,764,900
Letters of guarantee	-	-	5,008,870	-	5,008,870

Trade and other payable, and due to related parties represents transactions in normal course of business and are interest free.

24.3 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, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

24.3.1 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. Positions are monitored on a regular basis to ensure positions are maintained with established limits.

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 2012.

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
2011		
2010		
KD	±50	±93,822

There is no impact on other comprehensive income.

24.3.2 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 financial assets available for sales.

The effect of other comprehensive income (as a result of a change in the fair value of investments available for sale at 31 December 2012) 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	
	2012	2011	2012	2011
			KD	**KD**
Kuwait market	± 5%	± 5%	+ 28,720	+ 28,513

24.3.3 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 the consolidated statement of income 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.

25 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 financial assets available for sales.

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.

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2012				
Financial assets available for sale				
Investments in managed portfolios of equity securities	803,145	-	-	803,145
Managed funds	-	263,930	-	263,930
Investments in managed portfolios of real estate properties	-	3,150,151	-	3,150,151
Total	803,145	3,414,081	-	4,217,226

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2011				
Financial assets available for sale				
Investments in managed portfolios of equity securities	511,232	-	-	511,232
Managed funds	-	259,148	-	259,148
Total	511,232	259,148	-	770,380

No transfers have been made between levels of hierarchy.

26 CONTINGENT LIABILITIES

	2012	2011
	KD	KD
Letter of guarantee	5,007,475	5,008,870
	5,007,475	5,008,870

Letter of guarantee represents guarantee issued to KNPC in respect of the purchase of fuel, from which it is anticipated that no material liability will arise.

أولا
oula

43 ADRESSES OF OULA STATIONS

Highway & Main Roads Stations	
Station	**Adress**
Abdali	Block 1 - Al-Safar Road - Next to Al-Abdali Exit
UM AL Aish	Block 1 - Al-Safar Road
AL Adaami	Block 1 - King Fahed Road - Next McDonalds
AL Atraf	Al-Salmi Road (between 40-50 Km signs)
South Airport	7th Ring Road - Towards to Abdullah Al-Mubarak suburb
Kabd **	Block 2 - In front of kabad Co-Op
West Shuaiba *	Block 8 - king Fahad Road - Towards to Al Nuwaisib
AL Omaria	Block 5 - st. 55 - Airport Road
AL Salmiya	Block 11 - 4th Ring Road - In front of Fire Station
AL Qurain	Block 1 - Al-Ghos st.
Qortoba	Block 1 - 4th Ring Road - In front of Al Adailiya Area
AL Ruqii	Al-Hajjaj City - Block 1 - 4th Ring Road - Towards to Sulaibikhat Area
Shuwaikh	Shuwaikh Industrial - Block 4 - St. 80 - Next to Vegetable Shop
6th Ring Road	Al-Shuhada - Block 3 - 6th Ring Road - Towards to Airport
AL Funtas	Block 3 - Al-Sahel Road
Shdadya	6th Ring Road - In front of Sabah Al-Naser suburb
Hawalli	3rd Ring Road - In front of Qadsia Area
Bayan	Block 8 - Near Co-Op
AL Salmiya	Block 10 - Abd Al-Karim Al-Khodaby st.- 5th Ring Road
Mubarak AL Kabir	Block 3 - In front of Jaber Al-Ali Area
AL Adan	Block 2 - King Fahed Road - Towards to Kuwait City
Eshbelia	Block 4 - Mohammed Bin Ghasem st.
AL Shuwaikh	Block 6 - Jamal Abd Al-Naser st.
Sharq	Al-Istiqlal st. and Soor St. with Sharq Conjunction
Airport Exist	Road 54 - Airport Road
Al Massila	Block 7 - Fahaheel High Way - Next Massila Beach Hotel
Urban Stations	
Station	**Adress**
AL Ahamdi	Block 13 - Al-Moghawaa Road Entrance
Al Qaser	between Al-Qaser and Al-n'aeem st.
AL Dua'ai	Block 2 - Road 60 - Near Co-Op
AL Khaldiya	Block 2 - 20 st.Near the police station
AL Ardiya	Al-Ardiya Industrial - Block 1 - Mohammed Bin Ghasem st.
Dasman	Block 3 - Ahmed Al-Jaber st. - Next Al-Watania Teleco
Kaifan	Block 1 - Ashbelia st.
AL Fehahel	Block 6 - Al-Badria - Next Fire Station st.
Sabah AL Salem	Block 12 - Road 207 - In front of Al Adan Area
Ali Sabah AL Salem	Um-Al-Haiman - Block 9 - Next Fire Station
AL Jabria	Block 2 - 111 st.
AL Oyoon	Block 3 - Besher Bin Abi Awana st.
Al Wafra	Block 2 - Road 300 - Near Co-Op
AL Sulaibia	Block 4 - Road 64 - Khalaf Al Ahmar St.
East Sulaibikhat	Al Nahida - Block 1
Abdullah Al Mubarak	Block 8 - West Jalib Al-Shuiukh
Mubarak AL Abdullah **	West Mishref - Block 6 - In front of ACK Univ.

*The station is expected to start operation on 2014.
**stations built according to the new prototype.

Oula Map
خريطة الأولى

8 CARWASH

station	Adress
Salmiya	Block 11 - 4th Ring Road - In front of Fire Station
Al Qaser	between Al-Qaser and Al-n'aeem st.
AL Dua'ai	Block 2 - Road 60 - Near Co-Op
Qortoba	Block 1 - 4th Ring Road - In front of Al Adailiya Area
6th Ring Road	Al-Shuhada - Block 3 - 6th Ring Road - Towards to Airport
Salmiya	Block 10 - Abd Al-Karim Al-Khodaby st.- 5th Ring Road
Shuwaikh	Block 6 - Jamal Abd Al-Naser st.
Mubarak Al Abdullah	West Mishref - Block 6 - In front of ACK Univ.

Al Mirqab, Block 3, Kuwait Business Town Tower – Floor 30 & 31
Tel: 1800111 - Fax: 22321111 P.O. Box: 29009 Safat - 13151 Kuwait
www.oula1.com