Oula Local Fuel Marketing Company K.S.C

# ANNUAL REPORT 2014

His Highness Sheikh

**Sabah Al-Ahmad Al-Jaber Al-Sabah**

The Amir of the State of Kuwait

(Humanitarian Leader)

His Highness Sheikh

**Nawaf Al-Ahmad Al-Jaber Al-Sabah**

Crown Prince of the State of Kuwait


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# CONTENTS PAGE

# Board of Directors

**Sheikh / Talal Al-Khaled Al-Ahmad Al-Sabah**

Deputy Chairman

**Eng. Abdulhussain S. Al-Sultan**

Chairman

**Saleh Al-Temimi**

Board Member

**Mohammad E. Al-Khateeb**

Board Member

**Dr. Mahdi M. Haidar**

Board Member

**Eng. Jamal Abdul-Aziz Jaafar**

Board Member

**Ali A. Al-Baghli**

Board Member

**Dr. Ali H. Abdullah**

Board Member

**Fadel Al-Saraf**

Board Member

# Executive Management

## Eng. Adel Mohammed  Al-Awadi
CEO

## Mohammad Eqab Al-Khateeb
Board Consultant For HR & Admin

## Sobhy Ahmed El-Shenawy
Vice President Finance

## Eng. Ziad Mustafa Taher AbuLaila
Vice President Projects

## Mohammad Al-khareji
Support Services Manager

## Tareq Al-Ajlan
Operations Manager / Operations Dept.

## Eng. Mohamad A. Ebrahim
HSEQ Manager

# Board Report

**Eng. Abdulhussain S. Al-Sultan**

Chairman

Dear shareholders,

It's with great pleasure that I welcome you today to the 9th general assembly of Oula Fuel Marketing during which we will discuss the company's latest developments and financial results for the fiscal year ending on December 31st of 2014.

## Stations' development and environment safety:

During 2014, driven by its commitment to maintain its premier position, Oula Fuel Marketing has achieved a new milestone and implemented several developments that have enhanced the level of services in all station.These developments involved six stations with the cost of KD 6 million, including 4 developed stations were completely transformed to full exemplary fledged with modern trends in fuel services. Those stations were embedded with a number of licensed activities; namely: central market providing food and beverage, mobile accessories, in addition to new car wash stations with competitive prices using high quality washing detergents which are built according to the latest technologies to meet international standards and save the environment such as: solar lightings, water purifying systems, water filtering system in all car wash stations. Developments also included the upgrading of the steam retrieval system from the first to second generation in both Fahaheel and Ali Abdullah Al-Salem stations, in addition to updating the investors' terms, whose work involves extracting environmental remnants to handle them through specialized and licensed entities.

We have also empowered our stations with topnotch services, including oil and tires change through 8 new centers that were inaugurated to provide this service in cooperation with a leading brand to operate them, while making sure that all environment safety measurements were met under the control of specialized authorities in the State, to facilitate transactions in our stations with ease and convenience, we have developed the work mechanism by enhancing the payment system of Oula cards. By the terms of this development, customers today can refill their cards through Oula website. This procedure will enable customers, both individuals and corporate, to manage their expenditures considering that the website saves all cards' data and transactions with high precision. On another note, we have changed the pricing strategy of all investment spaces that were expired, which enabled us to achieve a direct benefit hence more profits for the company.

## Investing in national human resources:

We are in pursuit of our quest to support national talents, as the board is keen to maintain the quota of Kuwaitis in the company at both the headquarters and the stations. We have restructured some departments by adding national employees, which falls in line with the management mission to further invest in the development of nationals and boost productivity.

## Social responsibility

During 2014, your company had outstanding contribution in social responsibility activities. We were keen to constantly converse with community, and customers in particular, through a variety of public relations activities and the customers' service center. We have not spared an effort in engaging with all segments of the society and the state sectors in all occasions, through our sponsorship and support, in particular to the youth and special needs categories.

## Challenges:

1) We have lost many clients due to the decrease in diesel and kerosene, which led to selling these two products at two different prices. This caused a problem and opened the door for smuggling diesel locally, while simultaneously resulted in the opening of the black market in Kuwait and abroad. Therefore we had our reservations on the double sale prices for both the stores and stations.

2) The licensing procedure is very slow, which is one of the main obstacles we are facing, considering that the issuance for a station license takes approximately one year, which reflects baldy on the company's investments.

3) The delay in stations' development license issuance due to the ministerial routine reflects negatively on the timeframe of the stations' development plan.

## Financial results:

During 2014, the total income of the company of fuel derivatives reached KD 97.9 million, with a decrease of 0.5% in comparison with 2013, due to the closure of 6 stations for development and renovation works during the year. Alternatively, the company has achieved an increase in different income from substitute activities with around KD 1.4 million, with an increase of 8%.

Oula's total net profit reached KD 4 million with a decrease of 4.7% in comparison with 2013, and that is justified by the closure of the 6 stations during the year for development.

On another note, the total company's assets increased to reach KD 74.5 million with 17.5% increase in comparison with 2013 assets, and the third of the increase returns to the expansions in development plan implemented by the company to upgrade its 40 stations.

Profits rotation has contributed in Oula's ability to invest and achieve high ROI in 2014 in addition to developing its stations. In 2015, the company will work on increasing its capital allocated for development and investment through diversified external resources. The total investors assets reached KD 54.8 million (approximately 73.5% of the total assets inn 2014), with an increase estimated at 5.8% in comparison with 2013.

Dear shareholders, in light of what we have shared with you, we do request your approval to rotate a part of the profits to face future challenges, and that is through distributing stock dividends of 6% of the paid capital (6 dividends for each 100 shares) to the shareholders registered in the date of the general assembly and to raise the recommendation to your extraordinary general assembly for approval.

At the end, I deeply thank you for your continuous support to your company, which counts on your trust to further achieve growth and prosperity. I would also like to thank the executive management members in Oula, our colleagues in different departments and stations, and all who support us including contractors and customers for their trust in the company.

**Eng. Abdulhussain S. Al-Sultan**
Chairman

# Achievements 2014


## 1 Stations

- Re-opening of 4 stations, namely: Al omaria, Mubarak Al Kabeer, Al Messilah and Qortoba after they were fully developed and transformed into exemplary embedding supportive services (C-Stores, car wash and car service center).
- Re-opening of two stations, namely: Al Fahahheel and Al Sabah Al Salem post renovation of the infrastructure which revolved around upgrading the level of efficiency and environmental safety.
- Development of all equipment in the stations to embrace the new technologies, as well as eliminating all paper reports and replacing them with reports.

## 2 Car wash stations:


- Constructing and opening of 3 auto car wash stations in Omaria, Mesilah and Mubarak Al-Kabeer according to high environmental standards.
- Opening 4 fast track wash in the areas (Al Qurain, Sabah Al Salem, Kifan, Adullah Al Mubarak).

## 3 Sales


- Growth in selling prepaid cards at 56% in comparison to last year.
- Addition of new Oula cards sales points through co-ops, and expansion in collaboration with the government sector.
- Addition of developed specifications for Oula cards including refilling the cards through Oula website.

## 4 Safety and Environment

- Implementation of 7 training programs for asafety and environment in the stations, in addition to first aid and medical emergencies for Oula stations' managers.
- Analyzing the car wash water on 6 month basis and ensure its treatment with water purification system.
- Medical test implementation for all stations' managers.

## 5 Human Resources

- Opening a new training center supported by latest training systems, and development of performance of all operations employees under the supervision of certified trainers.
- Maintaining the quota of Kuwaitis in supervision positions which is up to 100%.
- Conducting over 50 training workshop in different specialized fields.

## Social Responsibility

**Driven by its keen interest and leading social role in addition to its deep belief in the importance of the private sector contribution, Oula Fuel Marketing has sponsored a series of activities:**


- Golden sponsorship of ‘Al Mawrouth Al Shaabi’ 2014 under the patronage of **H.H. Sheikh Sabah Al Ahmed Al Jaber Al Sabah.**

- Participating at Kuwait Investment Forum titled: ‘Fuel and Derivatives Investments in Kuwait’.
- Held a media Ramadan Gabqa.
- Sponsorship of Ramadan football tournament organized by Kora.com in collaboration with
Fly Dubai.
- Sponsorship of several graduation projects for students of engineering and petrol faculty.
- Participated at international clinic gabqa.
- Sponsored Kuwait Generation exhibition held at Kuwait International Fair Ground.

- Sponsorship of Kuwaiti racers participating at Radical Dubai Race 2014.

- Sponsorship of Give and Hope team for cancer patients.
- For the national day celebrations, Oula have sponsored the printing of a book titled 'Kuwait history in photos' and 'core from the east' for the writer Mr. Khalid Abdullah Al Masaad, which were distributed to VIP personnel.
- Participated at an entertainment festival for orphans organized by Al Midan clinic.
- Participated in the sponsorship of Mini Yard Sale held at 360 Mall to boost kids› talents.
- Held a Girgean celebration for cancer patients.

- Launched a national campaign to reduce the usage of power and water in collaboration with the ministry of power and water.


- Launched an awareness campaign for safe driving in collaboration with the ministry of interior, department of security information and public relations.

Oula Local Fuel Marketing Company K.S.C

And its subsidiary

State of Kuwait

For the year ended December 31,2014

# Consolidated Financial Statements And Independent Auditors Report


# PAGE CONTENTS

# UNDERTAKING

## Responsibilities in respect to the Consolidated Financial Statements and Management Discussion and Analysis of Financial Performance

We confirm that to the best of our knowledge:

a) the consolidated financial statements, prepared in accordance with international Financial Reporting Standards, give a true fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;

b) the management report, or 'Management Discussion and Analysis of Financial Performance & Results of Operations', includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;

c) the highest level of conduct is carried out in duties and responsibilities in the best interests of the Company and to ensure true and fair view of the financial statements.

d) the material information is disclosed appropriately to ensure true and fair view of the financial.

statements. Information is considered material if:
(i) such information results in,or would reasonably be expected to result in, a significant change in the market price or value of our shares; or

(ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or

(iii) if it would significantly alter the total mix of information available to investors.

**20th March, 2015.**

**Eng. Abdulhussain S. Al-Sultan**
Chairman

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## Independent auditors' report to the shareholders of oula fuel marketing company K.S.C.P.

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Oula Fuel Marketing Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of income, consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and 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 auditors consider 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 the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard.

## Independent auditors' report to the shareholders of oula fuel marketing company K.S.C.P. (continued)

### Emphasis of matter

We draw attention to note 21 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, as amended and its executive regulation and by the Parent Company's Memorandum of Incorporation and 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, as amended and its executive regulation or of the Parent Company's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Parent company or on its financial position.

**WALEED A. AL OSAIMI**
LICENCE NO. 68 "A"
EY
AL AIBAN, AL OSAIMI & PARTNERS

**QAIS M. AL NISF**
LICENCE NO. 38 "A"
BDO
AL NISF & PARTNERS

Kuwait 2015

## Oula Fuel Marketing Company K.S.C.P. and its Subsidiary

### CONSOLIDATED STATEMENTS OF INCOME
For the year ended 31 December 2014

| | Notes | **2014** **KD** | 2013 KD |
|---|---|---|---|
| Sales | | **97,886,433** | 98,398,839 |
| Cost of sales | 18 | **(85,356,969)** | (85,803,788) |
| Operating expenses | | **(7,049,937)** | (7,277,861) |
| Gross profit | | **5,479,527** | 5,317,190 |
| Realised gain on sale of financial assets available for sale | | **632,150** | 810,052 |
| Dividends income | | **633,873** | 393,401 |
| Impairment losses on financial assets available for sale | 8 | **(763,179)** | (146,553) |
| Interest income | | **123,196** | 138,201 |
| Other income | | **1,387,512** | 1,283,066 |
| Provision for impairment of receivables | 9 & 21 | **(641,949)** | (1,118,846) |
| General and administrative expenses | | **(2,612,835)** | (2,171,759) |
| Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration | | **4,238,295** | 4,504,752 |
| KFAS | | **(38,716)** | (40,542) |
| NLST | | **(100,385)** | (110,728) |
| Zakat | | **(42,297)** | (44,121) |
| Directors' remuneration | 20 | **(45,000)** | (45,000) |
| Profit for the year | | **4,011,897** | 4,264,361 |
| Basic and diluted earnings per share | 19 | **10.66 Fils** | 11.33 Fils |

**The attached notes 1 to 25 form part of these consolidated financial statements.**

## Oula Fuel Marketing Company K.S.C.P. and its Subsidiary

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | 2014<br>KD | 2013<br>KD |
|---|---|---|
| Profit for the year | **4,011,897** | 4,264,361 |
| Other comprehensive income : | | |
| Other comprehensive income to be reclassified to the consolidated statement of income in subsequant periods: | | |
| - Net unrealized (loss) gain on financial assets available for sale | **(1,168,093)** | 2,005,173 |
| Net other comperhensive (loss) income to be reclassified to consalidated statement of income in subsequant period | **(1,168,093)** | 2,005,173 |
| Transferred to consolidated statement of income on sale of financial assets available for sale | **(632,150)** | (810,052) |
| Transferred to consolidated statement of income on impairment of financial assets available for sale | **763,179** | 146,553 |
| Total other comprehensive (loss) income | **(1,037,064)** | 1,341,674 |
| Total comprehensive income for the year | **2,974,833** | 5,606,035 |

**The attached notes 1 to 25 form part of these consolidated financial statements.**

## Oula Fuel Marketing Company K.S.C.P. and its Subsidiary

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
At 31 December 2014

| | Notes | 2014 KD | 2013 KD |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 5 | 1,399,558 | 1,463,980 |
| Leasehold rights | 6 | 17,060,314 | 17,913,330 |
| Property , plant and equipment | 7 | 9,916,403 | 6,846,780 |
| Financial assets available for sale | 8 | 16,420,257 | 19,439,474 |
| | | 44,796,532 | 45,663,564 |
| Current assets | | | |
| Inventories | | 300,426 | 224,719 |
| Accounts receivable and prepayements | 9 | 11,594,711 | 3,143,984 |
| Term deposits | 10 | 7,653,262 | 9,666,455 |
| Cash and cash equivalents | 11 | 10,194,961 | 4,713,166 |
| | | 29,743,360 | 17,748,324 |
| TOTAL ASSETS | | 74,539,892 | 63,411,888 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 12 | 38,166,802 | 36,349,336 |
| Treasury shares | 13 | (1,458,518) | (1,458,518) |
| Treasury shares reserve | | 86,127 | 86,127 |
| Statutory reserve | 14 | 3,637,556 | 3,213,726 |
| Voluntary reserve | 15 | 3,637,556 | 3,213,726 |
| Cumulative change in fair value | | 686,393 | 1,723,457 |
| Retained earnings | | 10,036,022 | 8,689,251 |
| Total equity | | 54,791,938 | 51,817,105 |

**The attached notes 1 to 25 form part of these consolidated financial statements.**

## Oula Fuel Marketing Company K.S.C.P. and its Subsidiary

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
At 31 December 2014

| | Notes | 2014 KD | 2013 KD |
|---|---|---|---|
| Liabilities | | | |
| Non current liabilities | | | |
| Employees' end of service benefits | | 286,922 | 296,854 |
| Bank loans | 17 | 6,000,000 | - |
| | | 6,286,922 | 296,854 |
| Current liabilities | | | |
| Accounts payable and accruals | 16 | 3,366,594 | 3,119,751 |
| Bank loans | 17 | 2,600,000 | 1,000,000 |
| Due to related parties | 18 | 7,494,438 | 7,178,178 |
| | | 13,461,032 | 11,297,929 |
| Total liabilities | | 19,747,954 | 11,594,783 |
| TOTAL EQUITY AND LIABILITIES | | 74,539,892 | 63,411,888 |

**Sheikh Talal Al-Khaled Al-Ahmad Al-Sabah**
Vice Chairman

**Abdul Hussain S. Al Sultan**
Chairman

**The attached notes 1 to 25 form part of these consolidated financial statements.**

## Oula Fuel Marketing Company K.S.C.P. and its Subsidiary

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2014

| | Share capital | Treasury shares | Treasury shares reserve | Statutory reserve | Voluntary reserve | Cumulative change in fair value | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| | KD | KD | KD | KD | KD | KD | KD | KD |
| 2014 January 1 Balance at | 36,349,336 | (1,458,518) | 86,127 | 3,213,726 | 3,213,726 | 1,723,457 | 8,689,251 | 51,817,105 |
| Profit for the year | - | - | - | - | - | - | 4,011,897 | 4,011,897 |
| Other comprehensive loss | - | - | - | - | - | (1,037,064) | - | (1,037,064) |
| Total comprehensive (loss) income for the year | - | - | - | - | - | (1,037,064) | 4,011,897 | 2,974,833 |
| & 12 bonus shares (Note %5 Issuance of (20 | 1,817,466 | - | - | - | - | - | (1,817,466) | - |
| Transfers to reserves | - | - | - | 423,830 | 423,830 | - | (847,660) | - |
| 2014 December 31 Balance at | **38,166,802** | **(1,458,518)** | **86,127** | **3,637,556** | **3,637,556** | **686,393** | **10,036,022** | **54,791,938** |
| 2013 January 1 Balance at | 34,618,415 | (1,444,239) | 86,127 | 2,763,251 | 2,763,251 | 381,783 | 7,056,761 | 46,225,349 |
| Profit for the year | - | - | - | - | - | - | 4,264,361 | 4,264,361 |
| Other comprehensive income | - | - | - | - | - | 1,341,674 | - | 1,341,674 |
| Total comprehensive income for the year | - | - | - | - | - | 1,341,674 | 4,264,361 | 5,606,035 |
| Purchase of treasury shares | - | (14,279) | - | - | - | - | - | (14,279) |
| Issuance of 5% bonus shares (Note 12 & 20) | 1,730,921 | - | - | - | - | - | (1,730,921) | - |
| Transfers to reserves | - | - | - | 450,475 | 450,475 | - | (900,950) | - |
| 2013 December 31 Balance at | 36,349,336 | (1,458,518) | 86,127 | 3,213,726 | 3,213,726 | 1,723,457 | 8,689,251 | 51,817,105 |

**The attached notes 1 to 25 form part of these consolidated financial statements.**

## Oula Fuel Marketing Company K.S.C.P. and its Subsidiary

**CONSOLIDATED STATEMENT OF CASH FLOWS**
For the year ended 31 December 2014

| | Notes | **2014 KD** | 2013 KD |
|---|---|---|---|
| Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration | | **4,238,295** | 4,504,752 |
| Adjustment for: | | | |
| Amortization | 5&6 | **917,438** | 917,438 |
| Depreciation | 7 | **841,557** | 605,455 |
| Provision for employees' end of service benefits | | **-** | 120,336 |
| Realised gain on sale of financial assets available for sale | | **(632,150)** | (810,052) |
| Impairment losses on financial assets available for sale | 8 | **763,179** | 146,553 |
| Provision for impairment of receivables | 9 | **641,949** | 1,118,846 |
| Dividend income | | **(633,873)** | (393,401) |
| Interest income | | **(123,196)** | (138,201) |
| | | **6,013,199** | 6,071,726 |
| Change in working capital: | | | |
| Inventories | | **(75,707)** | 18,709 |
| Accounts receivable and prepayements | | **(9,092,676)** | (562,742) |
| Accounts payable and accruals | | **20,445** | (240,276) |
| Due to related parties | | **316,260** | (1,028,632) |
| Cash flows (used in) from operations | | **(2,818,479)** | 4,258,785 |
| Employees' end of service benefits paid | | **(9,932)** | (28,767) |
| Net cash flows (used in) from operating activities | | **(2,828,411)** | 4,230,018 |

**The attached notes 1 to 25 form part of these consolidated financial statements.**

## Oula Fuel Marketing Company K.S.C.P. and its Subsidiary (continued)

**CONSOLIDATED STATEMENT OF CASH FLOWS**
For the year ended 31 December 2014

| | | | |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 7 | **(3,934,619)** | (780,513) |
| Proceeds from sale of property, plant and equipment | | **23,439** | - |
| Purchase of financial assets available for sale | | **(5,727,115)** | (10,538,526) |
| Proceeds from sale of financial assets available for sale | | **7,578,239** | 5,610,504 |
| Placement of term deposits | | **(7,653,262)** | (9,666,455) |
| Proceeds from term deposits | | **9,666,455** | 9,824,313 |
| Dividend income received | | **633,873** | 393,401 |
| Interest income received | | **123,196** | 126,862 |
| Net cash flows from (used in) investing activities | | **710,206** | (5,030,414) |
| FINANCING ACTIVITIES | | | |
| Purchase of treasury shares | | **-** | (14,279) |
| Proceeds from bank loans | | **9,000,000** | 1,000,000 |
| Settlement of bank loans | | **(1,400,000)** | (789,296) |
| Dividends paid | | **-** | (84,199) |
| Net cash flows from financing activities | | **7,600,000** | 112,226 |
| Increase (decrease) in cash and cash equivalents | | **5,481,795** | (688,170) |
| Cash and cash equivalents at the beginning of year | | **4,713,166** | 5,401,336 |
| Cash and cash equivalents at the end of the year | 11 | **10,194,961** | 4,713,166 |

## 1 CORPORATE INFORMATION

The consolidated financial statements of Oula Fuel Marketing Company K.S.C.P. ("the Parent Company") and its subsidiary ("the Group") for the year ended 31 December 2014 were authorised for issue by the board of directors on 18 March 2015.

Oula Fuel Marketing Company K.S.C.P. ("the Parent Company") is a Kuwaiti shareholding company incorporated on 17 May 2004 and the head office of the Parent Company is located in Alqebla area, P.O. Box 29009, Safat 13151, State of Kuwait.

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

The principal activities of the Parent Company are:

- Acquisition, establishment, leasing, operating, and maintenance of petrol stations and their customer service centers, to provide all automobile services including changing of oil, car wash, maintenance workshop services and technical check-ups.
- The ability to fill and store fuel and to ship and trade in petroleum products in bulk or retail.
  Utilizing the financial surpluses of the Group by investing in portfolios managed by specialised companies and entities.

## 2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of financial assets available for sale and real estate portfolios.

The consolidated financial statements of the Group are presented in Kuwaiti Dinars (KD), which is the functional currency of the Group.

**Statement of compliance**
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

On 19 May 2014, the Parent Company held the extraordinary geneal assembly of shareholders to amend the Parent Company's Article of association and Memorandum of incorporation to be in compliance with the provisions and rules of Decree Companies law No. 25 of 2012 which was then registered in the commercial register.

## 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

## 2.2 BASIS OF CONSOLIDATION (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, recognized gains and losses resulting from intra-group transactions and dividends are eliminated in full. Total comprehensive income/loss within a subsidiary is attributed to the Parent Company and non-controlling interest even if that results in a deficit balance.

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in 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.

## 2.3 CHANGES IN ACCOUNTING POLICIES

**New and amended standards and interpretations**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the following new and amended IFRS effective as of 1 January 2014. However, the implementation of new and amended IFRS did not have a significant impact on the Group's consolidated financial statements.

**Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

**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' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

## 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

**Standards issued but not yet effective**
The standards and interpretations those are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**IFRS 9 Financial Instruments**
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

**IFRS 15 Revenue from Contracts with Customers**
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

**Amendments to IAS 27: Equity Method in Separate Financial Statements**
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

The application of the above standards is not expected to have a material impact on the financial position or performance of the Group as and when they become effective, except for IFRS 9 which will result in amendments and/or additional disclosures relating to classification, measurement and associated risks of financial instruments.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Business combinations and Goodwill**

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. 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.

**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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible Assets (continued)

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.

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.

### 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.

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

### 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.

Freehold land is not depreciated .Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|---|---|
| Building | 25 years |
| Fuel stations | 14 years |
| Furniture and decorations | 4 years |
| Computers | 4 years |
| Equipments | 4 years |
| Vehicles | 4 years |

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

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments – initial recognition and subsequent measurement**
**Financial assets**
**Initial recognition and measurement**

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

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

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

The Group's financial assets include cash and cash equivalents, trade and other receivables, and financial assets available for sale. At 31 December 2014, 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 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 effective interest rate. 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 26.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments – initial recognition and subsequent measurement (continued)**
**Financial assets (continued)**
**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.

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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments – initial recognition and subsequent measurement (continued)**
**Financial assets (continued)**
**Impairment of financial assets (continued)**

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 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.

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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments – initial recognition and subsequent measurement (continued)**
**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, loans 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 at the date in which the dividends are approved by shareholders.

**Bank borrowings**
Interest bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

**Ijara payable**
Ijara is an Islamic transaction involving the purchase and immediate lease of an 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.

**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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments – initial recognition and subsequent measurement (continued)
### Financial liabilities (continued)
### Fair value of financial instruments

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or
In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Cash and cash equivalents

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

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

### Treasury shares

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

### Financial liabilities (continued)

### 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.

### 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.

### 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.

### 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:

### Sales

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

### Dividend income

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

### Interest income

Interest revenue is recognised in the consolidated statement of 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.

### Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

### National Labour Support Tax (NLST)

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

### Zakat

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

## 3 SIGNIFICANT ACCOUNTING JUDGMENS, 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:

### Classification of financial assets

The Group decides on acquisition of financial assets whether they should be classified as financial assets at fair value through consolidated statement of income, or available for sale financial assets.

The management classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making and the fair value of those financial assets can be reliably determined.

Classification of financial assets as designated depends on how management monitor the performance of these financial assets when they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as designated.

All other financial assets are classified as available-for-sale.

### 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 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.

### Intangible assets

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

## 3 SIGNIFICANT ACCOUNTING JUDGMENS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

**Financial instruments – initial recognition and subsequent measurement (continued)**
**Impairment of financial assets (continued)**
**Control assessment**
When determining control, management considers whether the group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

**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 Group's subsidiary is as follows:

| Name of the subsidiary | Principal activity | Country of incorporation | Legal ownership | |
|---|---|---|---|---|
| | | | **2014** | 2013 |
| Ultra Holding Company – Kuwaiti Holding Company K.S.C.C. and its Subsidiaries. | Holding | Kuwait | **96%** | 96% |

## 5 INTANGIBLE ASSETS

| | 2014 | 2013 |
|---|---|---|
| | **KD** | KD |
| Cost: | | |
| At 1 January | **1,786,090** | 1,786,090 |
| At 31 December | **1,786,090** | 1,786,090 |
| Amortization: | | |
| At 1 January | **322,110** | 257,688 |
| Charge for the year | **64,422** | 64,422 |
| At 31 December | **386,532** | 322,110 |
| Net book value:<br>At 31 December | **1,399,558** | 1,463,980 |

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

## 6 LEASEHOLD RIGHTS

| | 2014 KD | 2013 KD |
|---|---|---|
| Cost: | | |
| At 1 January | **22,178,410** | 22,178,410 |
| At 31 December | **22,178,410** | 22,178,410 |
| Amortization: | | |
| At 1 January | **4,265,080** | 3,412,064 |
| Charge for the year | **853,016** | 853,016 |
| At 31 December | **5,118,096** | 4,265,080 |
| Net book value: | | |
| At 31 December | **17,060,314** | 17,913,330 |

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

## 7 PROPERTY , PLANT AND EQUIPMENT

| | Fuel stations | Furniture and decorations | Computers | Equipments | Vehicles | Projects in progress | Total |
|---|---|---|---|---|---|---|---|
| | KD | KD | KD | KD | KD | KD | KD |
| Cost: | | | | | | | |
| At 1 January 2014 | 9,450,782 | 520,909 | 1,854,850 | 496,074 | 44,127 | 1,629,614 | 13,996,356 |
| Additions | - | - | - | - | - | 3,934,619 | 3,934,619 |
| Transfers | 2,407,732 | 125,474 | 292,662 | 325,827 | - | (3,151,695) | - |
| Disposals | - | - | - | - | (23,700) | (3,393) | (27,093) |
| At 31 December 2014 | 11,858,514 | 646,383 | 2,147,512 | 821,901 | 20,427 | 2,409,145 | 17,903,882 |
| Depreciation: | | | | | | | |
| At 1 January 2014 | 4,835,376 | 520,069 | 1,472,705 | 315,733 | 5,693 | - | 7,149,576 |
| Charge for the year | 509,979 | 20,131 | 224,113 | 80,077 | 7,257 | - | 841,557 |
| Related to disposals | - | - | - | - | (3,654) | - | (3,654) |
| At 31 December 2014 | 5,345,355 | 540,200 | 1,696,818 | 395,810 | 9,296 | - | 7,987,479 |
| Net book value:<br>At 31 December 2014 | 6,513,159 | 106,183 | 450,694 | 426,091 | 11,131 | 2,409,145 | 9,916,403 |
| Cost: | | | | | | | |
| At 1 January 2013 | 6,971,433 | 519,949 | 1,632,980 | 320,333 | 8,727 | 3,762,421 | 13,215,843 |
| Additions | - | - | - | - | 17,500 | 763,013 | 780,513 |
| Transfer in (out) | 2,479,349 | 960 | 221,870 | 175,741 | 17,900 | (2,895,820) | - |
| At 31 December 2013 | 9,450,782 | 520,909 | 1,854,850 | 496,074 | 44,127 | 1,629,614 | 13,996,356 |
| Depreciation: | | | | | | | |
| At 1 January 2013 | 4,487,840 | 519,948 | 1,269,675 | 266,113 | 545 | - | 6,544,121 |
| Charge for the year | 347,536 | 121 | 203,030 | 49,620 | 5,148 | - | 605,455 |
| At 31 December 2013 | 4,835,376 | 520,069 | 1,472,705 | 315,733 | 5,693 | - | 7,149,576 |
| Net book value:<br>At 31 December 2013 | 4,615,406 | 840 | 382,145 | 180,341 | 38,434 | 1,629,614 | 6,846,780 |

## 8 FINANCIAL ASSETS AVAILABLE FOR SALE

| | **2014** | 2013 |
|---|---|---|
| | **KD** | KD |
| Investment in managed portfolios of equity securities | **10,055,830** | 9,617,960 |
| Investments in real estate portfolios | **6,041,263** | 9,491,014 |
| Investments in managed funds | **323,164** | 330,500 |
| | **16,420,257** | 19,439,474 |
| Investments carried at fair value | **14,129,552** | 17,826,051 |
| Investments carried at cost | **2,290,705** | 1,613,423 |
| | **16,420,257** | 19,439,474 |

Investments in managed equity securities and real estate portfolios with carrying value of KD 13,806,388 (2013: KD 17,495,551) were carried at fair value as advised by the portifolio managers. Investments in managed funds with carrying value of KD 323,164 (2013:KD 330,500) are carried at fair value as advised by the fund managers.

Investments with carrying value of KD 2,290,705 (2013:KD 1,613,423) are carried at cost less impairment because fair value could not be reliably measured. At the reporting date, the management has carried out a detailed review of these investments to assess whether there is objective evidence that these investments are impaired. As a result, the management recognised impairment losses of KD 763,179 (2013: KD 146,553).

Investments amounting to KD 16,004,801 (2013: 19,281,974) are managed by a related party (Note 18). Fair value hierarchy is porvided in note 24.

## 9 ACCOUNTS RECEIVABLE AND PREPAYEMENTS

| | **2014** | 2013 |
|---|---|---|
| | **KD** | KD |
| Trade receivables | **4,948,623** | 2,853,940 |
| Prepayments | **8,962,568** | 991,809 |
| Refundable deposits | **21,450** | 19,950 |
| Other receivable | **54,026** | 1,028,292 |
| | **13,986,667** | 4,893,991 |
| Less: Provision for trade receivables | **(2,391,956)** | (1,750,007) |
| | **11,594,711** | 3,143,984 |

## 9 ACCOUNTS RECEIVABLE AND PREPAYEMENTS (continued)

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 (the cost of which is fully impired) company of KD 2,788,669 for which the Group's management has recorded provision of KD 641,949 (2013: KD 1,118,846) in the consolidated statement of income (Note 21).

Prepayments include advances paid to aquire real estate invetments which were paid to a portifolio manager of KD 8,428,126. (Note 18)

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 reporting date. Accordingly, management believes that there is no further credit allowance required in excess of the allowance for bad and doubtful debts.

As at 31 December, the ageing analysis of trade receivables that were not impaired is as follows:

| | | Past due but not impaired | | | | | Total |
|---|---|---|---|---|---|---|---|
| | Neither past due nor impaired | days 30 > | 60 to 30 days | 90 to 60 days | 120 to 90 days | days 120 < | |
| | KD | KD | KD | KD | KD | KD | KD |
| **2014** | **-** | **-** | **2,080,000** | **176,667** | **-** | **300,000** | **2,556,667** |
| 2013 | - | - | - | 161,984 | - | 941,949 | 1,103,933 |

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable.

## 10 TERM DEPOSITS

Term deposits represents deposits with local and foreign banks operates in Kuwait with a maturity over a period exceeding three months from the date of the placement. The average effective interest rate on term deposits ranges 1.25% to 1.8 % per annum (2013: ranges from 0.75 % to 1.38% per annum).

## 11 CASH AND CASH EQUIVALENTS

| | 2014 | 2013 |
|---|---|---|
| | KD | KD |
| Cash on hand | 537,809 | 573,582 |
| Cash at banks | 7,987,848 | 2,010,015 |
| Cash at portfolios | 1,669,304 | 2,129,569 |
| | 10,194,961 | 4,713,166 |

## 12 SHARE CAPITAL

| | 2014 KD | 2013 KD |
|---|---|---|
| Authorized, issued and fully paid in cash : | | |
| 363,493,369 :2013) 381,668,037) shares of 100 fils each | **38,166,802** | 36,349,336 |

The movement in ordinary shares in issue was as follows:

| | 2014 | 2013 |
|---|---|---|
| As at 1 January | **363,493,369** | 346,184,159 |
| Issuance of bonus shares (Note 20) | **18,174,668** | 17,309,210 |
| As at 31 December | **381,668,037** | 363,493,369 |

## 13 TREASURY SHARES

| | 2014 | 2013 |
|---|---|---|
| Number of treasury shares | **5,640,735** | 5,372,158 |
| Percentage of ownership | **1.48%** | 1.48% |
| Market value (KD) | **586,636** | 1,160,386 |
| Cost (KD) | **1,458,518** | 1,458,518 |

## 14 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 (accumulated losses) are not sufficient for the payment of a dividend of that amount.

## 15 VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of the profit attributable to the Parent Company for the year before contribution to Kuwait Foundation for the Advancement of Sciences, Zakat and Directors' remuneration less accumulated losses brought forward, to be transferred to the voluntary reserve. The Group 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.

## 16 ACCOUNTS PAYABLE AND ACCRUALS

| | **2014** | 2013 |
|---|---|---|
| | **KD** | KD |
| Trade payables | **621,092** | 460,528 |
| Accrued expense | **1,087,629** | 1,039,596 |
| Dividends payable | **852,851** | 914,562 |
| Directors' remuneration | **45,000** | 45,000 |
| Advance payments and other payables | **760,022** | 660,065 |
| | **3,366,594** | 3,119,751 |

## 17 BANK LOANS

| Currency | Current | | Non – current | |
|---|---|---|---|---|
| | **2014** | 2013 | 2014 | 2013 |
| | **KD** | KD | KD | KD |
| Kuwaiti Dinars | **2,600,000** | 1,000,000 | 6,000,000 | - |
| | **2,600,000** | 1,000,000 | 6,000,000 | - |

During the year a bank loan was granted by a foreign bank that operates in the State of Kuwait of KD 9,000,000 (2013: KD 1,000,000) at an interest rate ranging from 2% to 2.5% over the Central Bank of Kuwait discount rate (2013: 2.5% over the Central Bank of Kuwait discount rate). The loan is repayable within five years.

## 18 RELATED PARTIES TRANSACTIONS

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

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

| | Shareholders | Entities under common control | Associate | Management | Total 2014 | Total 2013 |
|---|---|---|---|---|---|---|
| | KD | KD | KD | KD | KD | KD |
| Consolidated statement of financial position | | | | | | |
| Financial assets available for sale (managed by related party) (Note 8) | 16,004,801 | - | - | - | 16,004,801 | 19,281,974 |
| Due to related parties | 7,494,438 | - | - | - | 7,494,438 | 7,178,178 |
| Trade and other receivables (Note 9) | - | 8,428,126 | 300,000 | - | 8,728,126 | 941,949 |
| Consolidated statement of income | | | | | | |
| Sales | 966,908 | - | - | - | 966,908 | 1,071,737 |
| Cost of sales | (85,356,969) | - | - | - | (85,356,969) | (85,803,788) |
| Operating expenses | (8,450) | (1,134,977) | - | - | (1,143,427) | 1,497,105 |
| General and administrative expenses | (3,851) | (717,865) | - | - | (721,716) | (627,193) |
| Board of directors renumeration | - | - | - | 45,000 | 45,000 | 45,000 |
| Contingent liabilities | | | | | | |
| Letter of guarantee (Note 25) | 5,000,000 | - | - | - | 5,000,000 | 5,000,000 |

## 18 RELATED PARTIES TRANSACTIONS (continued)

Compensation of key management personnel of the Group:
The remuneration of key management personnel and Board members of the Group during the year were as follow:

| | 2014 | 2013 |
|---|---|---|
| | KD | KD |
| Salaries and short term benefits | **147,606** | 133,000 |
| End of service benefits | **7,356** | 25,101 |
| Board of Directors remuneration (Note 20) | **45,000** | 45,000 |
| | **199,962** | 203,101 |

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 2014, the Group has recorded impairment of receivables against amounts owed by an associate of KD 641,949 (2013: KD 1,118,846) (Note 21).

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

## 19 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.

| | 2014 | 2013 |
|---|---|---|
| Profit for the year (KD) | **4,011,897** | 4,264,361 |
| Weighted average number of shares outstanding during the year, excluding treasury shares (shares) | **376,295,879** | 358,137,131 |
| Basic and diluted earnings per share (fils) | **10.66** | 11.33 |

In accordance with International Accounting Standard 33 "Earnings per share", weighted average number of shares for the year ended 31 December 2013 has been restated due to the issuance of bonus shares (Note 20).

## 20 PROPOSED DIVIDEND AND DIRECTORS' REMUNERATION

The Extraordinary General Assembly meeting held on 5 May 2014 approved the audited financial statements for the year ended 31 December 2013, distribution of bonus shares of 5% of paid up share capital for the year ended 31 December 2013 (31 December 2012: distribution of 5% of paid up share capital) and the directors' remuneration for the year ended 31 December 2013 of KD 45,000.
On 18 March 2015, the Board of Directors of the parent company have proposed to distribute bonus share of 5% of paid up share capital for the year ended 31 December 2014 and directors' remuneration of KD 45,000 which exceeds the amount permissible under the local regulations subject to approval by the ordinary general assembly of the shareholders of the Parent Company.

## 21 LEGAL CASE

During the year ended 31 December 2012, 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 2,788,669 (2013: KD 2,788,669).

The litigation is at its initial stage, however the management of the Group has recorded an additional impairment of KD 641,949 during the year (2013: KD 1,118,846) against the receivable balance (Note 9). The management of the Group is confident that the remaining balance of KD 396,713 will be fully recovered.

## 22 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 , managed funds and term deposits.

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 | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | KD | KD | KD | KD | KD | KD |
| Segment revenue | 99,273,955 | 99,681,905 | 1,389,209 | 1,341,654 | 100,663,164 | 101,023,559 |
| Results | | | | | | |
| Depreciation and amortisation | (1,758,995) | (1,522,893) | - | - | (1,758,995) | (1,522,893) |
| Impairment loss on financial assets available for sale | - | - | (763,179) | (146,553) | (763,179) | (146,553) |
| Provision for trade and other receivables | (641,949) | (1,118,846) | - | - | (641,949) | (1,118,846) |
| Segment profit | 3,385,857 | 3,069,260 | 626,040 | 1,195,101 | 4,011,897 | 4,264,361 |
| Assets | 50,466,373 | 34,305,959 | 24,073,519 | 29,105,929 | 74,539,892 | 63,411,888 |
| Liabilities | 11,147,954 | 10,594,783 | 8,600,000 | 1,000,000 | 19,747,954 | 11,594,783 |

The Group operates only in the State of Kuwait.

## 23 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 2014 and 2013.

### 23.1 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.

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.1 Credit risk (continued)

The gross maximum exposure net of provision is shown below:

| | Gross maximum exposure | |
|---|---|---|
| | **2014** | 2013 |
| | **KD** | KD |
| Financial assets | | |
| Accounts receivable and prepayements | **11,594,711** | 3,143,984 |
| Term deposits | **7,653,262** | 9,666,455 |
| Cash and cash equivalents (excluding cash on hand) | **9,657,152** | 4,139,584 |
| | **28,905,125** | 16,950,023 |

Risk concentrations of the maximum exposure to credit risk:

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

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Banking | Services sector | Total | Banking | Services sector | Total |
| | KD | KD | KD | KD | KD | KD |
| Kuwait | 17,310,414 | 11,594,711 | 28,905,125 | 13,806,039 | 3,143,984 | 16,950,023 |

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 |
| | 2014 | 2014 | 2014 | 2014 |
| | KD | KD | KD | KD |
| Accounts receivable and prepayements | 8,428,126 | 774,629 | 2,391,956 | 11,594,711 |
| Term deposits | 7,653,262 | - | - | 7,653,262 |
| Cash and cash equivalents (excluding cash on hand) | 7,987,848 | 1,669,304 | - | 9,657,152 |
| | **24,069,236** | **2,443,933** | **2,391,956** | **28,905,125** |

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

| | Neither past due nor impaired | | | |
|---|---|---|---|---|
| | High grade | Standard grade | Impaired | Total |
| | 2013 | 2013 | 2013 | 2013 |
| | KD | KD | KD | KD |
| Accounts receivable and prepayements | - | 1,393,977 | 1,750,007 | 3,143,984 |
| Term deposits | 9,666,455 | - | - | 9,666,455 |
| Cash and cash equivalents ((excluding cash on hand | 2,010,015 | 2,129,569 | - | 4,139,584 |
| | **11,676,470** | **3,523,546** | **1,750,007** | **16,950,023** |

Concentration of risk is managed by customer and by industry sector. The maximum credit exposure to any single client as at 31 December 2014 is KD 8,428,126 (2013: KD 5,824,313) no collateral has been taken.

### 23.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

### 23.3 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.

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.3 Liquidity risk (continued)

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

| | On demand KD | 3 to 12 months KD | Over 1 year KD | Total KD |
|---|---|---|---|---|
| 2014 | | | | |
| Accounts payable and accruals | 3,366,594 | - | - | 3,366,594 |
| Bank loans | - | 2,665,000 | 6,712,500 | 9,377,500 |
| Due to related parties | 7,494,438 | - | - | 7,494,438 |
| Total liabilities | 10,861,032 | 2,665,000 | 6,712,500 | 20,238,532 |
| 2013 | | | | |
| Accounts payable and accruals | 3,119,751 | - | - | 3,119,751 |
| Bank loans | - | 1,045,000 | - | 1,045,000 |
| Due to related parties | 7,178,178 | - | - | 7,178,178 |
| **Total liabilities** | **10,297,929** | **1,045,000** | **-** | **11,342,929** |

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

### 23.4 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.

### 23.4.1 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 2014.

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 |
|---|---|---|
| 2012<br>2010 | | |
| **2014** | **±50** | **47,337** |
| 2013 | ±50 | 433,323 |

There is no impact on other comprehensive income.

### 23.4.2 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 2014) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

| | Change in equity price | | Effect on consolidated statement of income | | Effect on other comprehensive income | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | | | **KD** | KD | **KD** | KD |
| Kuwait market | **5% ±** | 5% ± | - | - | **74,053** | 68,395 |

### 23.4.3 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.

## 24 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.

## 24 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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.

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

| | Level 1 KD | Level 2 KD | Level 3 KD | Total KD |
|---|---|---|---|---|
| 2014 | | | | |
| Financial assets available for sale: | | | | |
| Investments in managed portfolios | 1,481,060 | 12,325,328 | - | 13,806,388 |
| Managed funds | - | 323,164 | - | 323,164 |
| Total | 1,481,060 | 12,648,492 | - | 14,129,552 |

| | Level 1 KD | Level 2 KD | Level 3 KD | Total KD |
|---|---|---|---|---|
| 2013 | | | | |
| Financial assets available for sale: | | | | |
| Investments in managed portfolios | 1,367,923 | 16,127,628 | - | 17,495,551 |
| Managed funds | - | 330,500 | - | 330,500 |
| Total | **1,367,923** | **16,458,128** | **-** | **17,826,051** |

The valuation technique are used primarily for unquoted equities and Real Estate units. These assets are valued using models which incorporate data observable in the market . No transfers have been made between levels of hierarchy.
The management assessed that the fair value of cash and bank balances, receivables, other current assets, payables, loans and other current liabilities approximates their carrying amounts largely due to the short-term maturities of these instruments.

## 25 CONTINGENT LIABILITIES

| | **2014 KD** | 2013 KD |
|---|---|---|
| Letter of guarantee | **5,000,000** | 5,000,000 |
| | **5,000,000** | 5,000,000 |

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.

# Oula Stations

| Highway & Main Roads Stations | |
|---|---|
| **Area** | **Address** |
| Abdal | Block 1 - Al Safar road - Next to Al Abdali Exit |
| Um Al Aish | Block 1 - Al Safar road |
| Al Adaam | Block 1 - King Fahad Road - Next to McDonalds |
| Al Atraf | Al Salmi Road (between 50-40 km signs) |
| South Airport | 7th Ring Road - Towards to Abdullah Al Mubarak suburb |
| Kabd ** | Block 2 - Infront 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 - Infront of Fire Station |
| Al Qurain | Block 1 - Al Ghos st. |
| Qortoba ** | Block 4 - 1st Ring Road - Infront of Al Adailiya Area |
| Al Ruqii | Al Hajjaj City - Block 4- 1st Ring Road Towards to Sulaibikhat Area |
| Shuwaikh | Shuwaikh Industrial - Block 4 - St. 80 - Next to Vegetable Shop |
| 6th Ring Road | Al Shuhada - Block 6 - 3rd Ring Road - Towards to Airport |
| Al Funtas | Block 3 - Al Sahel Road |
| Sabah Al Naser | 6th Ring Road |
| Hawalli | 3rd Ring Road - Infront 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 - Infront of Jaber Al Ali Area |
| Al Adan | Block 2 - King Fahed Road - Towards to Kuwait City |
| Eshbelia | Block 4 - Mohammed Bin Al Qasem st. |
| Al Shuwaikh | Block 6 - Jamal Abd Al Naser st. |
| Sharq | Al Istiqlal st. and Soor st. with Sharq Conjunction |
| Airport Exit | Road 54 - Airport Road |
| Al Massila ** | Block 7 - Fahaheel Highway - Next Massila Beach Hotel |

| Urban | |
|---|---|
| **Area** | **Address** |
| Al Ahmadi | Block 13 - Al Moghawaa |
| Al Qaser | Across Al Qaser and Al N'aeem st. |
| Al Dua'ai | Block 2 - Road 60 - Near Cooperation branch |
| Al Khaldiya | Block 2 - 20 st. Near the police station |
| Al Ardiya | Al Ardiya Industrial - Block 1 - Mohammed Bin Al Qasem st. |
| Dasman | Block 3 - Ahmed Al Jaber st. - Next Al Wataniya Telecom |
| Kaifan | Block 1 - Ashbelia st. |
| Al Fehahel | Block 6 - Al Badri - Next to fire station st. |
| Sabah Al Salem | Block 12 - Road 207 - Infront of Adan Area |
| Ali Sabah Al Salem | Um Al Haiman - Block 9 - Next to 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 Infront of ACK university |



** Stations built according to the new prototype.



## 11 Car Wash Stations

| Area | Address |
|---|---|
| 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 - Infront of Al-Adaliya |
| 6th Ring Road | Al Shuhada - Towards to Airport |
| Salmiya | Block 10 - 5th Ring Road |
| Shuwaikh | Block 6 Jamal Abd Al-Naser st. |
| Mubarak Al Abdullah | West Mishref - Block 6 - In Front of ACK uni |
| Al Omaria | Block 5 - st. 55 - Airport Road |
| Al Massila | Block 7 - Fahaheel High Way |
| Mubarak Al Kabir | Block 3 - In Front of Jaber Al-Ali Area |

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