Oula Local Fuel Marketing Company K.S.C

ANNUAL REPORT 2016

Stations' Management Award - HSEQ Standards

جائزة إدارة المحطات وفق أعلى معايير الجودة والسلامة البيئية

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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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF OULA FUEL MARKETING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Oula Fuel Marketing Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

(a) Fair value of investment properties

Investment properties of the Group represent a significant part of the total assets and are carried at fair value as at 31 December 2016. The management determines the fair value of its investment properties and uses external appraisers to support the valuation. The valuation of the investment properties at fair value is highly dependent on estimates and

assumptions such as rental value, capitalization rate, occupancy rates, financial stability of tenants, market knowledge and historical transactions. Further, the disclosures relating to the assumptions are significant, given the estimation uncertainty and sensitivity of the valuations. Given the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we considered this as a key audit matter.

We have evaluated the assumptions and estimates made by the management and the external appraisers in the valuation to assess the appropriateness of the data supporting the fair value. Our valuation specialists were part of our audit team for evaluating the external valuation, including the assumptions and estimates used. Amongst others, we have considered the objectivity, independence and expertise of the external appraisers. Furthermore, we assessed the appropriateness of the disclosures relating to the sensitivity of the assumptions as shown in Note 9 of the consolidated financial statements.

(b) Valuation and impairment of financial assets available for sale

As at 31 December 2016, the Group has financial assets available for sale amounting to KD 4,528,600 carried at cost less impairment. These financial assets do not have a quoted price in an active market and their fair values cannot be reliably measured. If the financial assets available for sale witnessed objective evidence, which indicates a decline in value, the management performs an impairment test. Impairment analysis can be subjective in nature and involve various assumptions regarding pricing factors.

Due to the significance of estimation uncertainty associated with the impairment analysis of the financial assets available for sale, we considered this a key audit matter.

As part of the audit procedures, amongst others, we evaluated the Group's assessment whether objective evidence of impairment exists for individual financial assets and the qualitative and quantitative factors used such as the investee's financial performance including dividends, financial condition and operations, and its market and economic environment.

For impairment analysis, we performed audit procedures to assess the methodology and the appropriateness of the valuation models and inputs used to value financial assets available for sale. We also assessed the accuracy of key inputs used in the valuation such as quoted market prices, market multiples, and discount rates for lack of marketability and lack of control, the expected cash flows, risk free rates and credit spreads by benchmarking them with external data, investigated significant differences.

Finally, we assessed the completeness and accuracy of the disclosures relating to financial assets available for sale in note 11 to the consolidated financial statements.

Other information included in the Group's 2016 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS of OULA FUEL MARKETING COMPANY K.S.C.P. (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS of OULA FUEL MARKETING COMPANY K.S.C.P. (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 1 of 2016, and its executive regulation, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, and its executive regulation, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business of the Parent Company or on its financial position except that the Parent Company has invested and managed portfolio of equity securities, which violated the Parent Company's objectives (note 11).

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

28 March 2017

Kuwait

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2016

	Notes	*2016* KD	*2015* KD
Sales		**117,232,077**	108,248,555
Cost of sales		**(104,524,426)**	(95,248,039)
Operating expenses		**(8,536,688)**	(7,938,357)
Gross profit		**4,170,963**	5,062,159
Gain on reclassification of financial assets available for sale to investment in an associate	10	**-**	162,389
Gain on sale of investment properties	9	**1,000,000**	-
Unrealised loss on revaluation of investment properties	9	**(107,319)**	-
Investment income	4	**142,937**	482,085
Impairment losses on financial assets available for sale	11	**(1,234,216)**	(171,116)
Share of results of an associate	10	**267,323**	-
Rental income		**574,030**	-
Other income		**2,192,540**	1,808,137
Provision for impairment of receivables	13	**-**	(300,000)
Finance costs		**(566,340)**	(467,715)
Staff cost		**(1,300,658)**	(1,199,477)
General and administrative expenses		**(1,464,815)**	(1,128,756)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Directors' remuneration		**3,674,445**	4,247,706
KFAS		**(31,083)**	(35,752)
NLST		**(85,440)**	(114,362)
Zakat		**(35,462)**	(44,208)
Directors' remuneration	22	**(45,000)**	(45,000)
PROFIT FOR THE YEAR		**3,477,460**	4,008,384
BASIC AND DILUTED EARNINGS PER SHARE	5	**8.72 fils**	10.06 fils

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	**2016** **KD**	2015 KD
Profit for the year		**3,477,460**	4,008,384
Other comprehensive loss			
Items that are or may be reclassified subsequently to the consolidated :statement of income			
Unrealized loss on financial assets available for sale		**(1,512,263)**	(402,200)
Gain on reclassification of financial assets available for sale to investment in an associate	10	**-**	162,389
Gain) loss on sale of financial assets available for sale transferred to) consolidated statement of income	4	**(440)**	25,798
Impairment losses on financial assets available for sale transferred to con-solidated statement of income	11	**1,234,216**	171,116
Total other comprehensive loss		**(278,487)**	(42,897)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,198,973**	3,965,487

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	***2016*** ***KD***	*2015* *KD*
ASSETS			
Non-current assets			
Property and equipment	6	**14,259,619**	12,486,770
Intangible assets	7	**1,270,714**	1,335,136
Leasehold rights	8	**15,354,282**	16,207,298
Investment properties	9	**13,077,000**	-
Investment in associates	10	**8,526,013**	7,945,863
Financial assets available for sale	11	**6,718,771**	32,731,222
Term deposits	12	**750,000**	759,299
		59,956,399	71,465,588
Current assets			
Inventories		**656,995**	353,320
Accounts receivable and prepayments	13	**17,536,504**	2,971,248
Term deposits	12	**5,506,066**	5,697,481
Cash and cash equivalents	14	**6,191,409**	2,154,036
		29,890,974	11,176,085
TOTAL ASSETS		**89,847,373**	82,641,673
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**40,456,810**	40,456,810
Statutory reserve	16	**4,429,772**	4,062,327
Voluntary reserve	17	**4,429,772**	4,062,327
Treasury shares	18	**(1,458,518)**	(1,458,518)
Treasury shares reserve		**86,127**	86,127
Cumulative changes in fair value reserve		**365,009**	643,496
Retained earnings		**11,653,650**	10,904,856
Total equity		**59,962,622**	58,757,425
Liabilities			
Non-current liabilities			
Employees' end of service benefits		**479,665**	395,946
Term loans	19	**8,925,417**	9,326,667
		9,405,082	9,722,613
Current liabilities			
Term loans	19	**2,201,000**	2,600,000
Accounts payable and accruals	21	**5,823,782**	3,121,091
Due to related parties	20	**12,454,887**	8,440,544
		20,479,669	14,161,635
Total liabilities		**29,884,751**	23,884,248
TOTAL EQUITY AND LIABILITIES		**89,847,373**	82,641,673

The attached notes 1 to 27 form part of these consolidated financial statements.

Abdul Hussain S. Al Sultan
(Chairman)

Adel Mohammed Al-Awdi
(Chief Executive Officer)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital	*Statutory reserve*	*Voluntary reserve*	*Treasury shares*	*Treasury shares reserve*	*Cumulative changes in fair value reserve*	*Retained earnings*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Balance at 1 January 2016	40,456,810	4,062,327	4,062,327	(1,458,518)	86,127	643,496	10,904,856	58,757,425
Profit for the year	-	-	-	-	-	-	3,477,460	3,477,460
Other comprehensive loss	-	-	-	-	-	(278,487)	-	(278,487)
Total comprehensive (loss) income for the year	-	-	-	-	-	(278,487)	3,477,460	3,198,973
(Cash dividend (Note 22	-	-	-	-	-	-	(1,993,776)	(1,993,776)
Transfer to reserves	-	367,445	367,445	-	-	-	(734,890)	-
Balance at 31 December 2016	**40,456,810**	**4,429,772**	**4,429,772**	**(1,458,518)**	**86,127**	**365,009**	**11,653,650**	**59,962,622**
Balance at 1 January 2015	38,166,802	3,637,556	3,637,556	(1,458,518)	86,127	686,393	10,036,022	54,791,938
Profit for the year	-	-	-	-	-	-	4,008,384	4,008,384
Other comprehensive loss	-	-	-	-	-	(42,897)	-	(42,897)
Total comprehensive (loss) income for the year	-	-	-	-	-	(42,897)	4,008,384	3,965,487
(Issue of bonus shares (Note 22	2,290,008	-	-	-	-	-	(2,290,008)	-
Transfer to reserves	-	424,771	424,771	-	-	-	(849,542)	-
Balance at 31 December 2015	40,456,810	4,062,327	4,062,327	(1,458,518)	86,127	643,496	10,904,856	58,757,425

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
As at 31 December 2016

	Notes	*2016* KD	*2015* KD
OPERATING ACTIVITIES			
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		**3,674,445**	4,247,706
:Adjustments to reconcile profit for the year to net cash flows			
Amortisation	8&7	**917,438**	917,438
Depreciation	6	**1,203,917**	1,104,422
Gain) loss on sale of financial assets available for sale)	4	**(440)**	25,798
Impairment losses on financial assets available for sale	11	**1,234,216**	171,116
Provision for impairment of receivables	13	**-**	300,000
Gain on reclassification of financial assets available for sale to investment in an associate	10	**-**	(162,389)
Gain on sale of investment properties	9	**(1,000,000)**	-
Unrealised loss on revaluation of investment properties	9	**107,319**	-
Gain on sale of property and equipment		**-**	(1,400)
Dividends income	4	**(49,488)**	(396,563)
Share of results of an associate	10	**(267,323)**	-
Interest income	4	**(93,009)**	(111,320)
Finance costs		**566,340**	467,715
Provision for employees' end of service benefits		**89,402**	153,272
		6,382,817	6,715,795
:Changes in the working capital			
Inventories		**(303,675)**	(52,894)
Accounts receivable and prepayments		**1,514,744**	8,323,463
Accounts payable and accruals		**2,214,558**	(484,825)
Due to related parties		**4,014,343**	946,106
Cash flows from operations		**13,822,787**	15,447,645
Employees' end of service benefits paid		**(5,683)**	(44,248)
Net cash flows from operating activities		**13,817,104**	15,403,397
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(2,976,766)**	(3,676,789)
Addition to investment in an associate		**(312,827)**	-

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

As at 31 December 2016

Addition to investment properties	9	**(2,349,277)**	-
Proceeds from sale of property and equipment		**-**	3,400
Purchase of financial assets available for sale		**(1,867,928)**	(25,477,415)
Proceeds from sale of financial assets available for sale		**453,074**	1,143,165
Placement of term deposits		**(17,256,066)**	(6,456,780)
Proceeds from term deposits		**17,456,780**	7,653,262
Dividend income received		**49,488**	396,563
Interest income received		**93,009**	111,320
Net cash flows used in investing activities		**(6,710,513)**	(26,303,274)
FINANCING ACTIVITIES			
Proceeds from term loans		**950,000**	5,060,000
Settlement of term loans		**(1,750,250)**	(1,733,333)
Dividends paid		**(1,702,628)**	-
Finance costs paid		**(566,340)**	(467,715)
Net cash flows (used in) from financing activities		**(3,069,218)**	2,858,952
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,037,373**	(8,040,925)
Cash and cash equivalents at the beginning of the year		**2,154,036**	10,194,961
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	**6,191,409**	2,154,036

The attached notes 1 to 27 form part of these consolidated financial statements.

1. CORPORATE INFORMATION

Oula Fuel Marketing Company K.S.C.P. (the "Parent Company") is a Kuwaiti shareholding company incorporated on 17 May 2004 and commenced its operations on 9 May 2006. The head office of the Parent Company is located in Al Qebla 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 consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors' on 28 March 2017 and are subject to the approval of the general assembly of shareholders. The ordinary general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after their issuance.

The consolidated financial statements of the Group for the year ended 31 December 2015 approved by the shareholders of the Parent Company during the annual general assembly meeting held on 26 April 2016.

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 shop and trade in petroleum products in bulk or retail.
- Purchase and lease lands and real estate.
- Utilising the financial surpluses of the Parent Company by investing in financial and real estate portfolios managed by specialized companies and entities.
- Utilising the financial surpluses of the Parent Company by investing in portfolios managed by specialized companies and entities.
- Carrying on sale activities of the prepaid fuel cards and newest related electronic services.
- Buying or selling the company's shares but no exceeding 10% from its shares as per stated in the excutive regulation of Law number 7 of 2010 concerning the establishment of CMA and regulating securities activity.

The Parent Company may have interests or participate in any suitable way with entities that are engaged in similar business activities or that the Parent Company to achieve its objectives inside Kuwait and abroad without conflict with the Article of the Parent Company.

The new Companies Law No. 1 of 2016 issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No.1 of 2016 issued on 12 July 2016 and published in the official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

The consolidated financial statements of the Group are prepared under the historical cost convention as modified for the revaluation at fair value of investment properties and financial assets available for sale.

Functional and presentation currency

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively the "Group") as at 31 December 2016. 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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(s) with the other vote holders of the investee;

Rights arising from other contractual arrangements; and

The Group's voting rights and potential voting rights.

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 consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company of the Group reporting date using consistent accounting policies. 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. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

The subsidiaries of the Group is as follows:

Name of the company	Country of incorporation	Ownership	Principal activities	% Interest in equity	
				2016	2015
.Ultra Holding Company K.S.C *(Closed)	*Kuwait*	*Direct*	*Operating Central Markets*	**96%**	96%
– Quick International Services Company .Kuwaiti Shareholding Company K.S.C	*Kuwait*	*Indirect*	Car services	**96%**	96%
Ultra Marketing Services – Kuwaiti .Shareholding Company K.S.C	*Kuwait*	*Indirect*	Marketing services	**96%**	96%
Ultra Consulting Company – limited .liability company W.L.L	*Kuwait*	*Indirect*	Consultancy services	**96%**	96%

**Effective ownership percentage is 100% (2015: 100%).*

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 the previous year except for the adoption of the following amendments to IFRS relevant to the Group and effective as of 1 January 2016:

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

Annual Improvements 2012-2014 Cycle

These improvements include:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

The materiality requirements in IAS 1

That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated

That entities have flexibility as to the order in which they present the notes to financial statements

That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to consolidated statement of income.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a 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 applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statements of income and other comprehensive income. These amendments do not have any impact on the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: 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.

Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of this standard will have an effect on the classification and measurement of the Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group plans to adopt the new standard on the required effective date. The Group is in the process of quantifying the impact of this standard on the Group's financial statements, when adopted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is 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 IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The specific recognition criteria described below must also be met before revenue is recognised. The following specific recognition criteria must also be met before revenue is recognised:

Sale of fuel

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

Rendering of services

Revenue from rendering of services is recognised to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured.

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Taxation

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 the law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

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, Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

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

Fuel stations	15-25 years
Furniture and decorations	4 years
Computers	4 years
Equipments	4 years
Vehicles	4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

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)

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 accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the 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 reporting date.

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 in the expense category consistent with the function of the intangible assets.

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

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

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised 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 benefit from 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Intangible assets (continued)

Leasehold right

Leasehold right acquired is 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 right is amortised over their useful economic life (26 years) and assessed for impairment whenever there is an indication that the leasehold right may be impaired. The amortisation period and the amortisation method for leasehold right 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 of income when the asset is derecognised.

License

License acquired separately is measured at cost on initial recognition. License acquired in business combination have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of license over their estimated useful lives (26 years).

The carrying amount of license is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount.

Software

Software acquired separately is measured at cost on initial recognition. The software has finite useful life and is carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated using straight line method to allocate the cost of software over its estimated useful life of 3 years. The carrying amount software is assessed and adjusted for impairment whenever there is an indication that it may be impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Investment in associates (continued)

Under the equity method, the investment in associates is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of the associate is presented, as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of results of an associate is included as part of net investment loss shown on the face of the consolidated statement of income.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. In case of different reporting date of an associate, which are not more than three months from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the Group's reporting date. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises as part of net investment losses shown on the face of the consolidated statement of income.

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

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in consolidated statement of income in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external independent, registered real estate valuers with relevant experience in the market in which the property is situated. The valuation reflects market conditions at the reporting date. Changes in the fair values of investment properties are included in the consolidated statement of income.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of income in the period of derecognition.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Investment properties (continued)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any 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 of disposal and its value in use. Recoverable amount 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. When 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 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's 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 asset 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 recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, cash at bank, and cash at portfolios.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes the purchase price, import duties, transportation, handling and other direct costs. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held to maturity, receivables and loan, 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 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 market place (regular way purchases) 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 financial assets available for sale, accounts receivable, term deposits and cash and cash equivalents.

Subsequent measurement

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

Financial assets available for sale

Financial assets available for sale include equity and debt securities. 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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

Financial assets available for sale are initially recognized at cost (including transaction costs associated with the acquisition of the investment) and after initial measurement, financial assets available for sale are subsequently measured at fair value unless fair value cannot be reliably determined. Changes in fair value of available for sale are reported as other comprehensive income in cumulative change in fair value reserve until the investment is derecognised, at which time the cumulative change in fair value is recognised in consolidated statement of income, or determined to be impaired, at which time the cumulative change in fair value reserve fair value reserve is recognised in the consolidated statement of income in impairment loss of investment and removed from cumulative change in fair value reserve fair value reserve. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Account receivables

Account receivables are stated at original invoice amount less provision for any doubtful accounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Financial assets (continued)

Impairment and uncollectibility of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets may be 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 profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available for sale

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

In the case of equity investments classified as financial assets 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 impairment 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 fair value reserve and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; an increase in their fair value after impairment loss is recognised directly in the cumulative change in fair value reserve.

Financial liabilities

Initial recognition and measurement

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

Financial liabilities are recognised initially at fair value and in the case of term loan and borrowings including directly attributable transaction costs.

The Group's financial liabilities include term loans, account payables and accruals and due to related parties.

Subsequent measurement

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Financial assets (continued)

Account payables and accruals

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

Term loans

After initial recognition, interest bearing term loan is subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of income. Unpaid amounts of term loan are included in 'Term Loan'.

Derecognition of financial assets and liabilities

A financial asset (or where applicable a part of a financial asset or a part of Group of financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired;

The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either (a) 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 a 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Fair values of financial instruments

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.

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 minimizing the use of unobservable inputs.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model and price to book model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements 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. See Note 26 for further disclosures.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of fair value 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)

Fair value of investments properties

The determination of fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue stream, capital value of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In additions, development risks (such as construction and letting risks) are also taken consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at reporting date.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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.

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to the statutory and voluntary reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of stock dividend increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

In addition to the above, with respect to its national employees, the Group also makes contributions to Public Institution for Social Security scheme, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance is consistent with the internal reports provided to the chief executive operation and the board of directors. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Foreign currencies

The Group's consolidated financial statements are presented in "KD", which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the consolidated statement of income.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group has used judgment and estimates principally in, but not limited to, the following:

Classification of financial assets and liabilities

Management decides on acquisition of financial assets whether they should be classified as financial assets carried at fair value through profit or loss or financial assets available for sale. The Group classifies financial assets as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making.

Classification of investments as fair value through profit or loss depends on how management monitor the performance of these investments. 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 financial assets at fair value through profit or loss. All other investments are classified as financial assets available for sale.

Valuation of unquoted investments

Valuation of unquoted equity securities is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- Earnings multiples;
- Price to book multiples;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Underlying net asset base of the investment; or
- Other valuation models

The determination of the cash flows, earnings multiples, price to book multiples and discount factors for unquoted equity securities requires significant estimation.

Impairment of financial assets available for sale

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of trade receivables

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, based on historical recovery rates.

Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each statement of financial position date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income.

Impairment of property and equipment

A decline in the value of property and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

significant decline in the market value beyond that which would be expected from the passage of time or normal use;

significant changes in the technology and regulatory environments; and

evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. 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.

Impairment of goodwill and intangible assets with finite and indefinite useful life

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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The Group determines whether goodwill and intangible assets with indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of associates

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

4. INVESTMENT INCOME

	2016	*2015*
	KD	*KD*
Gain (loss) on sale of financial assets available for sale	**440**	(25,798)
Dividends income	**49,488**	396,563
Interest income	**93,009**	111,320
	142,937	482,085

5. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 31 December.

	2016	*2015*
(Profit for the year (KD	**3,477,460**	4,008,384
Weighted average number of ordinary shares outstanding during the year ((excluding treasury shares	**398,588,998**	398,588,998
Basic and diluted earnings per share	**8.72 fils**	10.06 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

6. PROPERTY AND EQUIPMENT

	Fuel station	Furniture and decorations	Computers	Equipment	Vehicle	Projects in progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost:							
At 1 January 2016	**14,340,499**	**647,633**	**2,155,014**	**912,826**	**11,700**	**3,504,272**	**21,571,944**
Additions	**-**	**-**	**-**	**-**	**-**	**2,976,766**	**2,976,766**
Transfers	**4,178,519**	**1,655**	**134,180**	**286,099**	**-**	**(4,600,453)**	**-**
At 31 December 2016	**18,519,018**	**649,288**	**2,289,194**	**1,198,925**	**11,700**	**1,880,585**	**24,548,710**
Depreciation:							
At 1 January 2016	**6,091,773**	**572,031**	**1,874,173**	**539,885**	**7,312**	**-**	**9,085,174**
Charge for the year	**820,279**	**32,231**	**155,667**	**192,815**	**2,925**	**-**	**1,203,917**
At 31 December 2016	**6,912,052**	**604,262**	**2,029,840**	**732,700**	**10,237**	**-**	**10,289,091**
Net carrying amount							
At 31 December 2016	**11,606,966**	**45,026**	**259,354**	**466,225**	**1,463**	**1,880,585**	**14,259,619**
Cost:							
At 1 January 2015	11,858,514	646,383	2,147,512	821,901	20,427	2,409,145	17,903,882
Additions	-	-	-	-	-	3,676,789	3,676,789
Transfers	2,481,985	1,250	7,502	90,925	-	(2,581,662)	-
Disposals	-	-	-	-	(8,727)	-	(8,727)
At 31 December 2015	14,340,499	647,633	2,155,014	912,826	11,700	3,504,272	21,571,944
Depreciation:							
At 1 January 2015	5,345,355	540,200	1,696,818	395,810	9,296	-	7,987,479
Charge for the year	746,418	31,831	177,355	144,075	4,743	-	1,104,422
Related to disposals	-	-	-	-	(6,727)	-	(6,727)
At 31 December 2015	6,091,773	572,031	1,874,173	539,885	7,312	-	9,085,174
Net carrying amount:							
At 31 December 2015	8,248,726	75,602	280,841	372,941	4,388	3,504,272	12,486,770

Fuel stations are constructed on land leased from the Government of Kuwait. Projects in progress represents major renovations and significant improvements being carried out at the fuel stations. Notwithstanding the contractual term of the lease for leasehold land, these are amortised over 26 years based on common practice in Kuwait for similar lands.

Depreciation expense is allocated between operating expenses of KD 1,013,094 (2015: KD 890,493) and administrative expenses of KD 190,823 (2015: KD 213,929) in the consolidated statement of income.

7. INTANGIBLE ASSETS

	2016	*2015*
	KD	*KD*
Cost:		
At 1 January	**1,786,090**	1,786,090
At 31 December	**1,786,090**	1,786,090
Amortisation:		
At 1 January	**450,954**	386,532
Charge for the year	**64,422**	64,422
At 31 December	**515,376**	450,954
Net book value:		
At 31 December	**1,270,714**	1,335,136

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

8. LEASEHOLD RIGHTS

	2016	*2015*
	KD	*KD*
Cost:		
At 1 January	**22,178,410**	22,178,410
At 31 December	**22,178,410**	22,178,410
Amortisation:		
At 1 January	**5,971,112**	5,118,096
Charge for the year	**853,016**	853,016
At 31 December	**6,824,128**	5,971,112
Net book value:		
At 31 December	**15,354,282**	16,207,298

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

9. Investment properties

	2016 KD	*2015 KD*
As at 1 January	**-**	-
Recogintion of investment properties (Note 11)	**23,835,042**	-
Additions during the year	**2,349,277**	-
Disposal during the year (Note 13)	**(13,000,000)**	-
Unrealised loss on revaluation	**(107,319)**	-
	13,077,000	-

During the year, investment property with a carrying amount of KD 13,000,000 was sold for a purchase consideration of KD 14,000,000, which resulted in a gain of KD 1,000,000 recorded in the consolidated statement of income. According to the sale agreement, the receivable balances arising from the sale of the investment property will be collected in installments based on terms and conditions of sale contract. During the year, the Group has collected KD 1,000,000 of the receivable balance. Subsequent to the reporting period, the Group settled portion of the receivable balances with an amount of KD 7,231,565, arising from the sale of the investment properties by acquiring quoted shares with amount of KD 7,231,565 in accordance with amended settlement agreement between parties (Note 13).

Investment property amounting to KD 1,432,000 is pledged with an Islamic financial institution against term loan (Note 19).

Investment properties with total amount of KD 11,196,209 is registered in the name of nominees , which confirmed in writing that the Group has the beneficial ownership of those properties. The property is in the process of being transferred.

As at 31 December 2016, the fair value of investment properties is KD 13,077,000 (2015: KD Nil). The fair value has been determined based on valuation performed by two independent professional real estate valuation experts who are specialised in valuing such type of properties.

Both valuators have used the income capitalisation method where a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate, assuming full capacity of the property.

The significant assumptions used in the valuations are set out below:

2016	*Kuwait*
(Average monthly rent (per sqm) (KD	**8.3**
Capitalization rate	**8.25%**
Occupancy rate	**97%**

9. Investment properties (continued)

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment properties.

2016	*Changes in valuation assumptions*	*Kuwait* *KD*
Average rent	5% -/+	**653,850**
Capitalization rate	5% -/+	**622,714**
Occupancy rate	5% -	**(653,850)**

The following is fair value hierarchy disclosures for classes of investment properties is as at 31 December:

	Fair value measurement using			
	Quoted prices in active markets ((Level 1	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total 2016 KD***
Investment properties	-	-	**13,077,000**	**13,077,000**

The following table shows a reconciliation of the opening and closing amount of level 3 for investment properties.

	At January 1 2016	Recogintion	Addition	Disposal	Unrealised loss on revaluation	At 31 December 2016
	KD	KD	KD	KD	KD	KD
Investment properties	-	**23,835,042**	**2,349,277**	**(13,000,000)**	**(107,319)**	**13,077,000**

10. INVESTMENT IN ASSOCIATES

Name of associate	Principal activity	Place of incorporation	Ownership Interest %		Carrying amount	
			2016	*2015*	***2016***	*2015*
National Leasing and Financing Company K.S.C. (Closed)	Leasing and investment	Kuwait	**21.13%**	20.34%	**8,526,013**	7,945,863
PetroNet Smart Network Company K.S.C. (Closed)	Network Company	Kuwait	**25%**	25%	-	-

During the prior year ended 31 December 2015, the Group increased its interests in National Leasing and Financing Company K.S.C. (Closed) from 9.74% to 20.34% and was able to exercise significant influence over the operation of this investee Company. Accordingly, this investment was reclassified from financial assets available for sale to investment in an associate in accordance with International Accounting Standard 28 ("Investments in Associates and Joint Ventures"). As a result of this reclassifications, the Group recycled KD 162,389 in the consolidated statement of income for the year ended 31 December 2015 which represents the revaluation of pre-existing ownership previously held in equity interest of financial assets available for sale. No goodwill had arisen as a result of this step acquisition.

The following table illustrates the summarised financial information of the Group's investment in National Leasing and Financing Company K.S.C.C:

	2016	*2015*
	KD	*KD*
As at 31 December		
Total assets	**64,693,956**	62,980,088
Total liabilities	**24,343,682**	23,914,882
Net assets	**40,350,274**	39,090,206
Carrying amount of the investment	**8,526,013**	7,945,863
For the year ended 31 December		
Income	**6,067,447**	7,901,856
Expenses	**4,802,612**	6,754,418
Profit	**1,264,836**	-
*Group's share of results	**267,323**	-

There are no contingent liabilities relating to the Parent Company's interest in the associate.

*At 31 December 2015, the Group started to exercise significant influence over the operation of this investee Company. Accordingly, no share of results recorded during the year ended 31 December 2015.

11. FINANCIAL ASSETS AVAILABLE FOR SALE

	2016 KD	2015 KD
Investment in portfolios of equity securities	**6,718,771**	6,544,499
Investments in real estate portfolios	**-**	25,915,042
Investments in managed funds	**-**	271,681
	6,718,771	32,731,222
Investments carried at fair value	**2,190,171**	1,224,954
Investments carried at cost	**4,528,600**	31,506,268
	6,718,771	32,731,222

As at 31 December 2016, unquoted equity securities of KD 4,528,600 (2015: KD 5,591,226) are carried at cost less impairment. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly an impairment loss of KD 1,234,216 (2015: KD 171,116) has been recorded against unquoted equity securities.

During the year ended 31 December 2016, the real estate portfolio manager has terminated the management services of the real estate portfolios and the Group has acquired the underlying real estate properties of the real estate portfolios. As a result, the Group derecognized investments in managed real estate portfolios classified as financial assets available for sale amounting to KD 25,915,042 and has recognized real estate properties and advances paid to acquire real estate investments amounting to KD 23,835,042 and KD 2,080,000 respectively (Note 9 & 13).

Financial assets available for sale with total amount of KD 6,718,771 (2015: KD 32,315,766) held through non-discretionary portfolio.

The Parent Company has invested and managed portfolio of equity securities, which violated the Parent Company's objectives.

The hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques are presented in Note 26.

12. 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 0.9% to 2.8% per annum (2015: ranges from 0.9% to 2.4% per annum).

13. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016	*2015*
	KD	*KD*
Trade receivables	**3,370,439**	3,026,178
Prepayments	**3,500,690**	2,554,640
Refundable deposits	**16,950**	21,450
Receivable arising from sale of investment property (Note 9)	**13,000,000**	-
Other receivable	**340,381**	60,936
	20,228,460	5,663,204
Less: Provision for impairment of receivables	**(2,691,956)**	(2,691,956)
	17,536,504	2,971,248

Trade receivables includes receivable balance from an associate company of KD 2,691,956 (2015: KD 2,691,956) and ultimately the outstanding balance has been fully impaired (Note 23).

Subsequent to the reporting period, the Group collected the receivable balances with amount of KD 7,231,565, arising from the sale of the investment properties by acquiring quoted shares with an amount of KD 7,231,565 in accordance with amended agreement between parties (Note 9).

Prepayments include advances paid to acquire real estate investments which were paid to a third party of KD 2,080,000 (2015: KD 2,080,000) (Note 11).

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 before provision as follows:

	Neither past due nor impaired	Past due and fully impaired	Total
	KD	KD	KD
2016	**678,483**	**2,691,956**	**3,370,439**
2015	334,222	2,691,956	3,026,178

Neither past due nor impaired trade receivables are expected, on the basis of past experience, to be fully recoverable. The Group does not hold any collateral as security for accounts receivable and prepayments.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows include the following consolidated statement of financial position amounts:

	2016 **KD**	2015 KD
Cash on hand	**1,304,062**	632,394
Cash at banks	**3,679,910**	1,304,960
Cash at portfolios	**1,207,437**	216,682
	6,191,409	2,154,036

15. SHARE CAPITAL

	2016 **KD**	2015 KD
Authorized, issued and fully paid in cash and bonus shares: shares of 100 fils each (404,568,177 :2015) 404,568,177	40,456,810	40,456,810

The movement in ordinary shares in issue was as follows:

	2016 **Shares**	2015 Shares
As at 1 January	**404,568,117**	381,668,037
Issuance of bonus shares (Note 22)	**-**	22,900,080
As at 31 December	**404,568,117**	404,568,117

16. STATUTORY RESERVE

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and Directors' remuneration, is 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 is not sufficient for the payment of a dividend of that amount.

17. 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, NLST, Zakat and Directors' remuneration is 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.

18. TREASURY SHARES

	2016	*2015*
	KD	*KD*
Number of treasury shares	**5,979,179**	5,979,179
Percentage of ownership	**1.48%**	1.48%
Market value (KD)	**693,585**	657,710
Cost (KD)	**1,458,518**	1,458,518

The Parent Company is committed to keeping reserves and retained earnings equal to the purchased treasury shares, which are non-distributable along acquisition year according to the instructions of the concerned regulatory authorities.

19. TERM LOANS

	Current		***Non-current***	
	2016	*2015*	***2016***	*2015*
Currency	***KD***	*KD*	***KD***	*KD*
Kuwaiti Dinars	**2,201,000**	2,600,000	**8,925,417**	9,326,667

Term loans represents bank loans granted by Islamic local bank and foreign banks at an interest rate ranging from 2% to 3.5% over the Central Bank of Kuwait discount rate (2015: 2% to 3.5% over the Central Bank of Kuwait discount rate). The loans are repayable within five years.

Term loan with Islamic local bank amounting to KD 5,922,521 is secured against investment properties amounting to KD 1,432,000 (Note 9).

20. RELATED PARTIES DISCLOSURES

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

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

	Shareholders	***Total 2016***	*Total 2015*
	KD	***KD***	*KD*
Consolidated statement of financial position			
Due to related parties	12,454,887	**12,454,887**	8,440,544
Consolidated statement of income			
Sales	1,186,484	**1,186,484**	1,193,033
Cost of sales	(104,524,426)	**(104,524,426)**	(95,248,039)
Provision for impairment of receivables	-	**-**	(300,000)
Contingent liabilities			
Letter of guarantee (Note 27)	5,000,000	**5,000,000**	5,000,000

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:

	2016	*2015*
	KD	*KD*
Salaries and short term benefits	**160,425**	157,266
End of service benefits	**10,400**	10,136
Board of Directors remuneration (Note 22)	**45,000**	45,000
	215,825	212,402

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.

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.

21. ACCOUNTS PAYABLE AND ACCRUALS

	2016 KD	2015 KD
Trade payables	**1,014,024**	804,852
Accrued expense	**2,967,048**	1,004,703
Dividends payable	**1,087,706**	796,558
Directors' remuneration (Note 22)	**45,000**	45,000
Advance payments and other payables	**710,004**	469,978
	5,823,782	3,121,091

22. PROPOSED DIVIDEND AND DIRECTORS' REMUNERATION

The Annual General Assembly meeting of the Parent Company held on 15 May 2016 approved the audited consolidated financial statements for the year ended 31 December 2015, and a distribution of 5% cash dividends of the nominal value of shares, by 5 fils per share for the year ended 31 December 2015 which was proposed by the Board of Directors' (31 December 2014: distribution of bonus shares of 6% of paid up capital).

The Annual General Assembly meeting of the Parent Company held on 15 May 2016 approved Directors' remuneration for the year ended 31 December 2015 of KD 45,000.

The Board of Directors of the Parent Company has proposed Directors' remuneration of KD 45,000 (2015: KD 45,000), which is within the amount permissible under local regulations and are subject to approval by Annual Ordinary General Assembly Meeting of the Parent Company's shareholders.

The Board of Directors of the Parent Company has proposed a distribution of 5% cash dividends of the nominal value of shares, by 5 fils per share for the year ended 31 December 2016 (2015: 5 fils) and is subject to approval by Annual Ordinary General Assembly Meeting of the Parent Company's shareholders.

23. LEGAL CASE

During the year ended 31 December 2012, PetroNet Smart Network Company K.S.C. (Closed) (the "associate") filed a liquidation petition with the Ministry of Commerce. However, the Group filed an objection petition to suspend this liquidation petition and filed another legal case against the associate and its management to recover the outstanding receivable balance of KD 2,691,956 (2015: KD 2,691,956).

The litigation is still in process and the management of the Group has fully impaired the outstanding receivable balance in prior years (Note 13).

24. 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 operations – 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.

31 December 2016	***Fuel marketing and other related services*** ***KD***	***Investment operations*** ***KD***	***Unallocated*** ***KD***	***Total*** ***KD***
Segment revenue	**119,424,617**	**1,876,971**	**-**	**121,301,588**
Impairment of financial assets available for sale	**-**	**1,234,216**	**-**	**1,234,216**
Depreciation and amortization	**1,930,532**	**-**	**190,823**	**2,121,355**
Segment results	**3,401,045**	**642,755**	**(566,340)**	**3,477,460**

December 2015 31	*Fuel marketing and other related services* *KD*	*Investment operations* *KD*	*Unallocated* *KD*	*Total* *KD*
Segment revenue	110,056,692	644,474	-	110,701,166
Impairment of financial assets available for sale	-	171,116	-	171,116
Impairment of account receivables	300,000	-	-	300,000
Depreciation and amortization	1,807,931	-	213,929	2,021,860
Segment results	4,165,130	473,358	(630,104)	4,008,384

	Fuel marketing and other related services ***KD***	***Investment operations*** ***KD***	***Unallocated*** ***KD***	***Total*** ***KD***
Segment assets as at 31 December 2016	**61,525,589**	**28,321,784**	**-**	**89,847,373**
Segment liabilities as at 31 December 2016	**29,405,086**	**-**	**479,665**	**29,884,751**
Segment assets as at 31 December 2015	41,964,588	40,677,085	-	82,641,673
Segment liabilities as at 31 December 2015	23,488,302	-	395,946	23,884,248

The Group operates only in the State of Kuwait.

25. 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 2016 and 31 December 2015.

25.1. Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances, fixed deposits and accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Maximum exposure to credit risk

The Group's exposure to credit risk from bank balances, cash with a portfolio manager, term deposits and accounts receivable arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The maximum exposure is the carrying amount as described in the consolidated statement of financial position.

	Gross maximum exposure	
	2016	2015
	KD	*KD*
Financial assets		
Accounts receivable	**14,035,814**	416,608
Term deposits	**6,256,066**	6,456,780
Bank balances and cash (excluding cash on hand)	**4,887,347**	1,521,642
	25,179,227	8,395,030

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Concentration of credit risk is represented by one major customer representing 74% (2015: 70%) of the trade receivables balance.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.2. Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio as net debt divided by total equity. The total equity consist of; share capital, statutory reserve, voluntary reserve, treasury shares and retained earnings and The net debt consist of; term loan less bank balances and cash.

Gearing ratio

The gearing ratio at year end was as follows:

	2016	*2015*
	KD	*KD*
(Term loans (Note 19	**11,126,417**	11,926,667
Less: Cash and cash equivalents and short term deposits	**(6,191,409)**	(2,154,036)
Net debt	**4,935,008**	9,772,631
Total equity	**59,962,622**	58,757,425
Net debt to total equity ratio	**8.23%**	16.63%

25.3. 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.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.3. 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*
2016				
Employees' end of service benefits	**-**	**-**	**479,665**	**479,665**
Term loans	**-**	**2,278,035**	**10,487,365**	**12,765,400**
Accounts payable and accruals	**5,113,778**	**710,004**	**503,648**	**6,327,430**
Due to related parties	**12,454,887**	**-**	**-**	**12,454,887**
Total liabilities	**17,568,665**	**2,988,039**	**10,967,030**	**31,523,734**
2015				
Employees' end of service benefits	-	-	395,946	395,946
Term loans	-	2,665,000	10,434,209	13,099,209
Accounts payable and accruals	2,651,113	469,978	-	3,121,091
Due to related parties	8,440,544	-	-	8,440,544
Total liabilities	11,091,657	3,134,978	10,830,155	25,056,790

25.4. 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 interest rates and equity prices. Whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

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

25.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Company's term loan obligation with fixed interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (term deposit, term loan).

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.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.4. Market risk (continued)

25.4.1 Interest rate risk (continued)

	Increase/decrease in basis points KD	Effect on consolidated statement of income and equity KD
2016	**±50**	**(243,518)**
2015	±50	(273,494)

There is no impact on other comprehensive income.

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

	Change in equity price		***Effect on other comprehensive income***	
	2016	*2015*	***2016***	*2015*
			KD	*KD*
Kuwait market	**± 5%**	± 5%	**65,632**	69,484

25.4.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to foreign currency risk as financial assets and liabilities are not exposed to foreign rates.

26. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, term deposits, accounts receivable and financial assets available for sale.

Financial liabilities consist of term loans, accounts payables and accruals and due to related parties.

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	***Total***
	KD	*KD*
2016		
Financial assets available for sale:		
Investments in managed portfolios	**2,190,171**	**2,190,171**
Total	**2,190,171**	**2,190,171**

	Level 1	*Total*
	KD	*KD*
2015		
Financial assets available for sale:		
Investments in managed portfolios	1,224,954	1,224,954
Total	1,224,954	1,224,954

During the year, there were no transfers between the hierarchies.

27. CONTINGENT LIABILITIES

	2016	*2015*
	KD	*KD*
Letter of guarantee (Note 20)	**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.

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14 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
Al khaldiya	Block 2 -20 st. Near the police station
Bayan	Block 8 - Near Co-Op
Al Funtas	Block 3 - Al Sahel Road

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