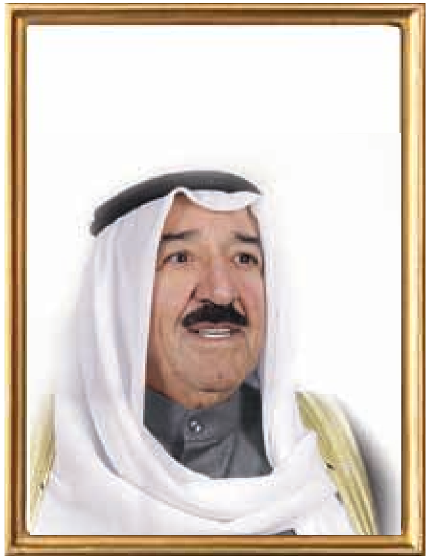


His Highness Sheikh

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


TROLLEY

CONTENTS

About Oula

Oula is always the first to encompass the services that serves different consumer needs. It is not just a fuel company that builds stations, but also it seeks to constantly improving them to meet today's demands that are reflected in its continous efforts. Since the company was founded in 2004 until today, it is continuously developing. Because Oula's major objective is to satisfy its customers by providing the best possible services with highest quality, it always aims to study the local and international markets to find out what is new in the world of fuel and station services thus, improvements will be achieved through applying the results of these researches and studies in reality.

Our Mission

To make Oula stations part of the daily Life, we strive to offer the highest standards of products and services through a network of state-of-the-art service stations. to maintain our status as the industry leaders, we are dedicated to continually improving products and services for our customers in a clean and safe environment. We are committed to the well being of our staff and delivering value for our shareholders.

Our Vision

To be the leading fuel marketing company in the region, and maintaining the highest industry standards of health, safety, environmental protection and quality control. while, maximizing value to the shareholders.

Board Report

Eng. Abdulhussain S. Al-Sultan
Chairman

M/S Shareholders,
Greetings,
On behalf of the members of the board of directors, it gives me great pleasure to present the twelfth annual report of your company: Oula Fuel. This report discusses the most significant achievements and results of your company for the financial year ending **31 December 2017**. We believe that these achievements affirm the Company's leading position to the best of your expectations.

In continuation of our endeavor to upgrade fuel stations over the past years, this year witnessed the re-development of four additional stations: Al-Fintas, Al-Qasser, the Ardiya Industrial and Jabria. Further to the normal activities of fuel dispensing, these stations are now licensed for investment activities, such as mini central markets, world-class state-of-the-art carwashes that incorporate the latest green technologies, car service, and ATMs. Thus, Oula Fuel has completed the development of sixteen stations as of 2017.

In the areas of both safety and environment, the company continues its commitment to provide the latest technology for protecting the environment by equipping all its Car wash stations with water recycling and treatment devices. In addition, the company ensures the use of materials that adheres to the highest environmental standards. Moreover, LED lighting has been used in Al-Fintas station, and a study of the use of solar energy has been conducted in the West Shuaiba station to conserve energy. Work continues on the plan to install 2nd Generation Vapor Recovery System, VRS 2, in all the stations.

As for the development of additional services, one of the largest companies that specialize in the business of central markets has commenced its operations in three stations: Jahra, Al-Fintas and Shouhada. In addition, car maintenance service has started operations in the stations of Khaldiya and Kabd. Furthermore, Jabriya station now offers carwash, while car detailing services are being provided by a specialized company.

Thirteen mobile telecom towers have been installed in thirteen stations by a major telecommunication company. A contract has been signed to manage, maintain and supply five marine stations belonging to the Touristic Enterprises Company. And another contract has been signed with the Kuwaiti Farmers Union to sell and maintain two mobile fuel stations.

In response to the needs and aspirations of our valued customers, developments like, offering loyalty points with co-partnering companies (Telecommunications Company), and offering special offers to the customers of a leading bank, have been undertaken. For the convenienceof our customers, a mechanism of recharging OULA card through smart phones was developed.

You are well aware of the challenges faced by us mainly in the form of removal of subsidies on diesel and kerosene, and providing quotas to certain customers, causing significant financial losses.

Further, red-tapes in allotting licenses and un-favorable classification of fuel stations on roads have resulted into operational issues leading into financial losses. However, the management has taken proactive measures to ensure that these issues are being effectively tackled to minimize the impact on operations.

Corporate governance has attained priority in the Company culture and we have adopted the best practices, thus ensuring compliance with respective laws and regulations, apart from the laws governing Kuwait Stock Exchange and the requirements of the Capital Market Authority.

Oula’s vision which will be attained through its sound strategy is to maximize shareholders’ value by promoting the company brand and status, increase asset base and continue development and expansion of investment infrastructure of stations, thus resulting into greater customer experience. All these measures would translate into added revenue streams resulting into higher revenues and profits for the company.

Financial Statements:

During 2017, the total fuel income of the company reached KD 148.3 million, with an increase of 26.5% in comparison with 2016. However, the increase is mainly due to rise in the fuel prices. There is a drop in sales volume as compared to 2016 due to which the operating profit has reduced by KD 355K.

The company has achieved an increase of 20% in other income from ancillary activities in the year 2017 as compared with year 2016.

Oula's consolidated net profit amounted to KD 3.58 million with an increase of 3% in comparison with 2016, mainly due to increase in income from other sources.

The total company's assets increased to reach KD 91.34 million with 1.66% increase in comparison with 2016.

Dear shareholders, in light of what we have shared with you, we request your approval for distributing Cash Dividends of 5% of the paid up capital (5 fils for each share) to the shareholders with a record date 15 days after the general assembly meeting.

At the end, I would like to express my thanks and appreciation to my colleagues The Board Members and The Executive Management, and to all staff for their extraordinary performances during the financial year of 2017. I also would like to thank our respected shareholders for their continuous support for "Oula1 Fuel" and encouragement to achieve the best quality services according to the highest standards of safety and quality control.

Eng. Abdulhussain S. Al-Sultan
Chairman

Board of Directors

Eng. Abdulhussain S. Al-Sultan
Chairman

Civil engineering graduate from the University of TRI State University In Andayana - America 1980

Experience:

- A civil engineer in the Ministry of Works from 1980 to 1986.
- Civil engineer in the private sector from 1986 to 2008.
- Advisor to the editor of the Kuwaiti newspaper Al-Nahar in 2007.
- Editor of Kuwaiti newspaper Al-Dar from 2007 to 2012.
- Chairman of the Board of Directors of the OULA Fuel Marketing from 2010 until now.
- CEO of Ultra Holding.
- Starter in multiple Kuwaiti newspaper.

A member of the association:

- A member of the Kuwait Society of Engineers.
- Kuwaiti member of the Alumni Association.
- Member of the Association of Kuwaiti journalists.
- Member of Kuwait Human Rights Society.
- Member of the Kuwaiti Red Crescent Society.

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

Bachelor of Business Administration BA, Leeds University, United Kingdom UK 1982 Master degree ofBA, Leeds University, UK 1986

Kuwait Oil Company

-Analyst (Under Development) from 3/1/1983 to 31/3/1983
-Administrative Officer (Under Development) from 1/4/1983 to 25/10/1986
-Head of Recruitment Department from 25/10/1986 to 12/1/1990
-Head of Public Relations Department from 13/1/1990 to 19/3/1999
-Manager of Public Relations Group from 20/3/1999 ti 10/2/2000
-Manager of Public Relations and Media Group from 11/2/2001 to 12/11/2001

Kuwait Oil Tankers Company

Chairman of Board of Directors from 21/5/2013 to 27/7/2013
CEO from 28/7/2013 to present

Eng. Adel M. Al-Awadi
Board Member & CEO

Bachelor of Science, Double Major Computer Engineering & Computer Science Miami University, USA 1993

Work Experience

Oula Fuel Marketing Company 2005 – till date

Joined the company as Marketing, Sales and PR Manager until 2007, then assigned as Deputy Managing Director of Marketing, Sales and Operations until 2010, later that same year promoted to Vice President of Marketing and Business Development. In 2012 and for one year he was the Consultant of the MD. In 2013 he was assigned by the BOD as the CEO of the company.

Al-Wataniya Telecommunication Company (Ooredoo) 2000-2005

Joined the company as Assistant Manager of Marketing and Sales, then he was promoted to Marketing and Communication Manager.

Zain Communication Company (MTC) 1993-2000

Joined as a Programmer, then promoted to Senior Engineer, then Specialist IT Department.

Sh. Khaled Ahmad M. Al-Sabah
Board Member

Deputy Managing Director - Marketing Crude Oil & Petroleum Products.

-An Executive with 25 years of International Commercial Oil Trade & Sales experience.

-After his graduation in 1992 with BSs Petroleum Engineer, he started his career as Sales Representative in Crude Oil Sales Department (1994-1998). Worked in International Marketing sector in Crude, Marine, London Office as Asst. Manager.

-Worked as Manager – Naphtha/Mogas/LPG Sales in 2013. He was also the head of LNG Negotiations Committee.

-Worked as Manager – Planning, Marketing in Aug. 2017.

-Appointed as Deputy Managing Director - Marketing Crude Oil & Petroleum Products in October 2017 and is responsible of four Sales departments (Crude Oil, Naphtha/Mogas/LPG, Middle Distillates, Fuel Oil and Special Products & Bunkers).

- Also responsible for all KPC Regional Offices in London, Singapore, Japan, Korea, China, India and Pakistan to ensure that they add value to the development of beneficial relationships and profitable contracts.

Mohammad Eqab Al-Khateeb
Board Member

Education:
California State University at Sonoma 1976-1981
Masters of management, Capitalism and Islamic Banking (with honor) 1981 BA, Management 1979

Trainings:
-Legal Aspects for credit collateral 1993
-Business Mathematics 1992
-Asset Liability Management 1991
-CashFlow Analysis 1989
And many others related to microeconomics, credit analysis and bank management.

Board of Director Responsibility:
-Ultra Supermarkets Co. Chairman, 2015
-Kuwait Business Town Co. Deputy Chairman, Member of the Board 2014-2015
-Kuwait Airways Co. Member of the Board 2012
-Kuwait Investment Company. Member of the Board and Audit Committee 2005-2012
-Kuwait Asia Holding Company. Chairman of the board of Directors 2006
-Oula Fuel Marketing Comoany. Board Cnsultant for HR & Administration 2012-2017, Member of the Board and its Audit Committee 2005-2012,
CEO Assistant 2017
-Council of Municipality of Kuwait 2003
-Al-Ahali Bank of Kuwait. Senior Manager – Head office 1984-2003

Ali A. Al-Baghli
Board Member

Bachelor of Commerce and Business Administration
-Halwan University Republic of Egypt 1979
-Assistant Undersecretary of Ministry of Commerce and Industry since 2004-2012
-Board of Directors Member of the Central Bank of Kuwait representing the Ministry of Commerce and Industry 2007 - 2012
-Accountant at the Supreme Court 1993.
-Accountant Arbitrator in the Judicial Arbitration Department at the Ministry of Justice
-Commercial arbitrator at the Kuwait Commercial Arbitration Center 2010.
-Judicial guard at the Supreme Court 1998
-Chartered Accountant in the United Arab Emirates Abu Dhabi 1989.
-An expert in the Chart of Experts at the Commercial Arbitration Center of the Gulf Cooperation Council since 2013
-Certified Arbitrator and Practitioner of the Commercial Arbitration Center of the GCC since 2009.
-Chairman of the Standing Technical Committee for the Development of Accounting Standards 2004 – 2007
-Chairman of the Registration and Discipline Committee for Auditors 2004 - 2007
-Chairman of the Committee on Classification of Commercial Activities 2004 - 2007

Dr. Ali H. Abdullah
Board Member

Education:
-B.S. industrial and System Engineering, Aug. 1982, University of Southern California (U.S.C.), USA.
-M.S Operations Research, Aug. 1986, George Washington University (G.W),USA.
-PhD Operations Research in “The WEIGHTED Maximal planner Graph Mathematical Formulations and Solutions “.Nov. 2002 Kent University at Canterbury, UK.

Employment:
-Research Assistant, applied Systems Department, Techno-Economics Division, Kuwait institute for scientific research (KISR), Kuwait 1982-1984.
-Research Associate, Applied systems Departments, techno-Economics Divisions, Kuwait institute for Scientific Research (KISR), Kuwait 1986-1987.
-Teacher, Statistics department, College of business studies, Kuwait 1996-1997.
-Assistance Professor, Statistic department, College of business studies, Kuwait 2002-present.
-Head of Statistics Department, College of business studies, Kuwait Sept.2003-present.

Academic Professionals:
-American Institute of Industrial Engineers (AIIE).
-The Operational Research Society of America (ORSA).
-The Institute for Management Science (TIMS).

Consulting:
-Academic studies and Researches, five years plan, Diwan Amiri 2007-2009

Fadel M. Al-Saraf
Board Member

High School Degree 1967
-Kuwait Municipality 1969 – 1977 (Scholarship to United Kingdom by the Municipality for two years specializing in Civil Engineering of Engineering Models) 1970 - 1972
-Kuwait Public Transport Company – Assistant Public Relations Manager till 1977.
-Kuwait Public Transport Company – Public Relations Manager 1978 – 1979
-Kuwait Municipality – Management Department
-Wataniya Telecom Company – Follow-up Supervisor
-Al-Zumorrodah Holding Company
-Al-Zummoroda Investment Company

Saleh K. Al-Temimi
Board Member

Faculty of Shariah and Law – Al-Azhar University 1966
Had worked in the judiciary in 1966 and got promoted to a counselor
Had contributed in setting several legal legislations
Had participated in the formation of several committees and setting of their own lawa

Dalia Ahmed Y. Othman
Board Secretary

Education:
Computer Diploma
Job and experiences:
- Oula Fuel Marketing Co., Senior Executive Secretary to Chairman 2005-present
-Kuwait Industrial Refinery Maintenance & Engineering Co. S.A.K (KREMENCO), Executive Secretary for the chairman & the managing director 1994-2005
-Progress Adverting Co. Secretary for the general manager 1993-1994

Executive Management

Eng. Adel Mohammed Alawadi
Chief Executive Officer

Mohammed Aqab Al-Khatib
Assistant CEO

Tareq Mohammed Al Ajlan
Senior Manager – Operation

Eng. Muhammed A. Al-Ibrahim
HSEQ Manager

Khaldoun Mohammed AlAdawi
BD Manager

Sanjay Tari
Finance Controller

Ashraf Ali
Project Manager

Hessa M. Mansour
HR & Admin Manager

Mohammad Sadeq AlSultan
Purchasing Manager

Corporate Governance Team

Dalia Othman
BOD Secretary

Narineh Tahmasian
Disclosure Officer

Jassem Al-Mahmeed
Head of Risk Unit

Abdulaziz Al-Obaid
Head of Internal Audit Unit

Achievements 2017

1. Re-opening of four stations after being fully re-developed (Al-Fintas, Al-Qasser, Ardiya industrial and Jabriya).
2. Opening of the activity of the central market in three stations (Al-Fintas, Al-Qasser and Al Shouhada).
3. Opening of the activity of car service and maintenance in the two stations in Kabd and Al-Khaldiya.
4. Opening of car wash services in the stations of Al-Fintas and Jabriya
5. Opening of the specialized car washing and polishing service in cooperation with one of the biggest specialized companies in Jabriya.
6. Signing contracts for the establishment of 13 towers with one of the major local companies.
7. Signing contract for the management, maintenance and supply for marine stations belonging to Touristic Enterprises Company.
8. Signing of the contract for the sale and maintenance of Mobile Fuel Stations for the Kuwaiti Federation of Farmers.
9. Developed a new system of complaints and incidents and respond to clients during the one hour only.
10. Activate and develop the operations center and the follow-up the stations.
11. Implemented new and developed mechanism to tackle emergency in the stations.
12. Develop a training center for the operations.
13. Commitment to the application of highest standards of supervision, resulting into accident free re-development of our stations.
14. Achieve measurable targets of environmental health and safety program, and quality control.
15. More than 120 field visits by experienced teams to ensure maintenance of safety, environment and quality assurance in stations.
16. The installation of second generation Vapor Recovery System, VRS 2, in 4 stations (Al-Qasser, Ardiya Industrial, Al Shouhada and Jabriya).

17 OULAFUEL stations obtained a rate of 93% from the monitoring team of safety, environment and quality control belonging to the Kuwaiti National Petroleum Company.

18 204 Operations and Maintenance Department Employees attended training course for safety, environment and quality control. Further, 47 employees of the investors also attended the training.

19 145 station managers and 86 fuel attendant workers were provided first aid courses.

20 Developed the company's website on the internet.

21 Installation of LED energy saving lighting at Al-Fintas station.

22 Working on rationalizing the consumption of electricity and water in stations.

23 Increase the volume of Car wash sales compared to the year of 2016.

24 Increase the card sales compared to the year of 2016.

25 Increase the number of cards issued compared to the year of 2016.

Social Responsibility :

1 Participation in an exhibition of job and academic opportunities in the Public Authority for Applied Education and training.

2 Participation in first forum to enable the Arab women with audio disabilities to participate in public life.

3 Participation under the auspices of Mubarak's Great Marathon under the slogan (for your sake my homeland).

4 Support many of the Graduation projects of the various faculties in the University of Kuwait.

5 Contribute to support of the charity projects.

6 Cooperation with one of the charities to establish a special fund for the conservation of food for the needy during the month of holy Ramadan in some of OULA stations.

Governance Report

OULA local Fuel-marketing KSC is distinguished, since its foundation in 2004, with the principle of transparency and commitment to the application of all laws and regulations issued by various regulatory bodies. Further, we have adopted the highest international standards of quality control and environmental safety (HSEQ-CoP) as prescribed by the Kuwaiti National Petroleum Company.
After the issuance of the decision of the Capital Market Authority in 2010 and its amendments, the management of the company was keen to be among the pioneers of the system,
which would consolidate and strengthen the relationship between the members of the board of directors, shareholders and stakeholders.

The members of the
Board of Directors and the executive council designed an organizational structure most suitable and appropriate for achieving the company's strategies and objectives. Incorporated within the new structure is the existence of a sound mechanism for developing, assessing the adequacy and maintaining of internal controls, regulations, and policies through management audits and risk management.
The board philosophy reinforces paramount importance to the principles of disclosure, transparency, professional conduct and ethical values, and respect for the rights of all shareholders and stakeholders.

Rule 1:

Building a balanced structure of the board of directors

A new board was elected at the General Assembly of the company dated on 21/05/2017 as shown below.

Name	Member category	Qualification and experience	Date of Election/ Appointment / re-appointment of the Secretary
Abdulhussain Saleh Sultan (Chairman)	Executive	Bachelor degree in civil engineering from the University of TRI Indiana- America in 1980	2017 / 5 / 21
Sheikh Talal Al-Khalid Sabah Al-Ahmad Al-Sabah (Vice Chairman)	Non-Executive	Master Degree in Business Administration - University of Leeds - United Kingdom, 1986	2017 / 5 / 21
Sheikh Khalid Ahmad Mohammad Al-Sabah (Member)	Non-Executive	Bachelor of Petroleum Engineering 1992	2017 / 5 / 21
Ali Abdullah Al Baghli (An independent member)	Independent	Bachelor of Commerce and Business Administration from the Arab Republic Of Egypt, Helwan University, 1979	2017 / 5 / 21
D/Hussein Hassan Abdullah (Member)	Non-Executive	Bachelor of Industrial Engineering and Systems-August 1982 University of Southern California (U.S.C), United States of America Master Degree in Research operations -August 1986- Georgia-Washington (G.W) United States of America Ph.D.in administrative science -November 2002, University of Kent (Kent), United Kingdom	2017 / 5 / 21
Saleh Khalil Al Tamimi (Member)	Non-Executive	The Faculty of Sharia and Law - Al Azhar University in 1966.	2017 / 5 / 21
Adel Mohammed Al Awadi (Member)	Executive	Bachelor of Science – double major Computer Engineering and Computer Science - University of Miami 1993	2017 / 5 / 21
Fadel Muhammad Hussein Al Saraf (Member)	Non-Executive	Secondary school certificate 1967, Civil engineering courses from the United Kingdom 1970-1972	2017 / 5 / 21
Mohammed Aqab Khatib (Member)	Executive	A master's degree in business administration (with honors), 1981 capitalist and Islamic Banks – Master degree Bachelor of Administration, 1979	2017 / 5 / 21
Dalia Ahmed Othman	Board Secretary	Computer diploma, 1991 - The secretariat course, 2005 Governance Course,2016 Becoming A World-Class Executive Assistant 2011	The date of re-appointing the Secretary 03/08/2017

The Board meetings during 2017

	Name	The representative of a company	Capacity	Meeting number 1-2017	Meeting number 2-2017 held on 15-5-2017	Meeting number 3-2017 held on 10-8-2017	Meeting number 4-2017	Meeting number 5-2017 held on 19-12-2017	Vote meeting held on 3-8-2017
1	Abdulhussain Saleh Sultan The Chairman	The Kuwaiti Company for Medical Services (Kuwaiti Joint Stock Company) (closed)	Executive	Attended	Attended	Attended	Attended	Attended	Attended
2	Sheikh Talal Al-Khalid Sabah Al-Ahmad Al-Sabah The deputy chairman	Kuwaiti Petroleum Company	Non-Executive	Attended	Attended	Attended	Attended	Attended	Attended
3	ali Abdullah Al Baghli Board Member	Independent	Independent	Attended	Attended	Attended	Attended	absent	Attended
4	Adel Mohammed Al Awadi Board Member	Al Bouroj Trading Company LLC	Executive	Was not a member of the Board of Directors	Was not a member of the Board of Directors	Attended	Attended	Attended	Attended
5	Mohammed Aqab Khatib Board Member	Himself	Executive	Attended	Attended	Attended	Attended	Attended	Attended
6	Bakhit Shabib al-Rashidi Board Member	Kuwaiti Petroleum Company	Non-Executive	Was not a member of the Board of Directors	Was not a member of the Board of Directors	Attended	Attended	Absent for holding the post of petroleum Minister	Attended
7	Saleh Khalil Al Tamimi Board Member	The United Company for Pharmaceuticals, Kuwaiti Joint Stock Company (closed)	Non-Executive	Attended	Attended	Attended	absent	Attended	Attended
8	D/Hussein Hassan Abdullah Board Member	National Leasing and Finance Company (Kuwaiti Joint Stock Company) (closed)	Non-Executive	Attended	Attended	Attended	Attended	Attended	Attended
9	Fadel Muhammad Hussein Al Saraf Board Member	Bouroj Global Real Estate Company	Non-Executive	absent	absent	Attended	Attended	Attended	Attended
	Abdullah Ahmad Alswilem Board Member	Kuwaiti Petroleum Company	Non-Executive	Attended	absent	A new Board of Directors was elected and the representative of the Kuwaiti petroleum company was changed.	Was not a member of the Board of Directors	Was not a member of the Board of Directors	Was not a member of the Board of Directors
	Mahdi Mahmoud Haider Board Member	Bouroj Business Company LLC	Non-Executive	absent	Attended	A new Board of Directors was elected and the representative of the Kuwaiti petroleum company was changed.	Was not a member of the Board of Directors	Was not a member of the Board of Directors	Was not a member of the Board of Directors

A new board was elected in the General Assembly on 21/5/2017. Sheikh Talal Al-Khalid Sabah Al-Ahmad Al-Sabah was re-appointed as representative of Kuwait Petroleum Corporation and re- appointing of Mr. Bakhit Shabib al-Rashidi instead of Mr. Abdullah Ahmad Suwailem, representative of the Kuwait Petroleum Corporation.

Sheikh Khalid Ahmad Mohammad al-Sabah was re-appointed as representative of the Kuwait Petroleum Corporation in place of Mr. Bakhit Shabib Al-Rashidi, on 21/12/2017
The re-appointment of the Secretary Ms. / Dalia Ahmed Osman in the meeting of the Board of Directors by circular on 3/8/2017
The members of the Board of Directors continue but they were representatives of other companies in the membership of the Board of Directors.

Mohammed Aqab Al Khatib	**Member of the Board of Directors**	**Jabriya Electrical Contracting Company, LLC**
Dr. Ali Hussein Hassan Abdullah	**Member of the Board of Directors**	**Q Star Decoration Contracting Co, LLC**

Summary of how to apply the requirements of registration, coordination and preservation of the meetings records of the company belonging to the board of directors.

The Board of Directors are committed to discuss all topics included in the agenda with utmost transparency. Members of the board shall be provided with complete information and disclosure, required to make informed decision making. Reservations on their part, if any, would be considered and noted. The meeting minutes shall include the following:

1. The numbers of the meeting Board of Directors with the serial number of the year in which the meetings were held.
2. Place, date and time of the meeting and its end.
3. Registering the names of the attendees and the absentees on the meeting with the causes of absenteeism.
4. Adopting the agenda of the Board of Directors and in the event of objection by any member on this agenda, the details of this objection shall be recorded in the meeting minute.
5. Recording the proceedings of the meeting in accordance with the agenda items and other business decisions, recommendations and taken observations.

6. Approving signing on the minutes of the meetings by all attending members of the Board of Directors and the secretary.
7. Keeping the originals of the meeting minutes.
8. The members of the Board of Directors shall receive a copy of all approved meeting minutes of the Board of Directors an the related documents.
9. Keep a special register in which the summary of meetings of the Board of Directors shall be recorded provided they shall include all the information mentioned above.

Rule 2:
Proper Identification Of Tasks and Responsibilities
Summary of the manner in which the company identifies the policy functions, responsibilities and duties of each member of the Board of Directors and of the executive management, as well as the powers and authorities that are delegated to the executive management.

1. The general responsibilities of the board of directors:-

The Board of Directors have overall responsibilities for OULAFUEL Company, including the development of overall strategies including the regulatory strategy and risks in-line with the standards of governance. They are responsible for developing and maintaining policies and procedures, ensuring development of controls, appointing committees, obtaining regular reports for achieving the objectives set forward by them. It is within this framework that the executive management, including the chief executive officer function. They are responsible for the maintenance of financial integrity of the organization, meeting the regulatory requirements, ensuring the interests of shareholders and all stakeholders are adhered to, within the overall philosophy and legal requirements.

2. Formation of the Board:-

In accordance with the statute of OULAFUEL Company, the Board of Directors has nine members, two members representing the Kuwait Petroleum Corporation and seven members elected by the General Assembly. On 21-5-2017, the General Assembly elected a new Board of Directors and the new Board of Directors was formed. The duration of the membership of the Board of Directors is three years and may be re-elected once again. The current Board of Directors consists of the Chairman of the Board, his deputy and seven other members, including an independent member representing a sufficient number of members that enable them to form the required committees stemming from the Board of Directors in the framework of the requirements of the governance standards.

3. The role of the Chairman of the Board

The Chairman of the Board of Directors shall ensure proper functioning of the board, maintain mutual trust among members and ensure that the board takes decisions on the basis on of sound basics and information.

He also seeks to exchange views within the board in order to ensure adequate information to all members of the Board and the shareholders in a timely manner. He also plays a key role in maintaining a constructive relationship between the Board and the executive management as well as ensuring the provision of sound standards of governance in OULAFUEL Company.

4. The relationship between the Board of Directors and the Executive Management:-

One of the most important pillars of governance is the clear cooperation between the authorities of both the Board and the senior management of the company. The role of the board is to guide and lead, while the senior management undertakes the preparation and implementation of the strategies and policies adopted by the board. The board shall make sure that the executive management enforces the policies that are concerned with prohibiting or limiting activities and/or relationships that may affect the quality of the governance rules in the company such as conflict of interests.

5. Organization of the work of the board

The Board held 6 meetings including 1 meeting by circular during 2017 and the call for the meeting is made on the necessity. The decisions taken within the meetings were mandatory and were documented in company records. The Chairman of the Board of Directors consults with the executive management on important subjects proposed for inclusion in the agendas of the meetings of the board. The Chairman also provides adequate data and information of the members of the board well before the meetings of the board in order to take the necessary decisions. The Secretary of the board shall record the discussions of the board, suggestions of the members and the results of the vote during the meetings of the board.

The achievements of the board during the year.

1. Formation of the committees (Audit Committee, Risk Committee, Nomination and Remuneration Committee).
2. Adopting policies for the committees formed by the board of directors.
3. Adopting policies for all departments of the company and amending some of them to comply with the requirements of the Capital Markets Authority.
4. Adopting the organizational structure of the company to comply with the governance rules and the Capital Markets Authority
5. Adoption of the Quarterly Financial Data.

Names of the members of the Board	Audit Committee	Risk Committee	nominations and remunerations committee
The total number of meetings of committees stemming from the board of the directors	6	4	3
Abdulhussain Saleh Sultan (Chairman)			
Sheikh Talal Al-Khalid Sabah Al-Ahmad Al-Sabah (Vice Chairman)			
Ali Abdullah Al Baghli (An independent member)	6	4	3
Abdullah Ahmad Alswilem / and then appointing Mr. /Bakhit Shabib al-Rashidi and after that appointing Sheikh Mohammed Ahmed Sabah instead of Mr. Bakhit (Member)	1 Bakhit al-Rashidi		
Saleh Khalil Al Tamimi (Member)		3	
Adel Mohammed Al Awadi (Member)			
Fadel Muhammad Hussein Al Saraf (Member)	6		3
Mohammed Aqab Khatib (Member)			
D/Hussein Hassan Abdullah (Member)	6	4	3

Adel Mohammed Al Awadi
* Board Member and Chief Executive Officer

Summary on the method of implementing the requirements that allows the members of the Board of Directors to obtain information and data accurately and in a timely manner.

In order to secure the flow of information between the executive management and the board of directors, the Board of Directors set the policy regulating the access of the members of the Board of Directors to the financial statements and any reports from company departments. This is done through weekly meetings between the chairman of the Board and the executive management about the performance of the executive body. Any member of the Board of Directors has the right to request any information or report of any department in coordination with the secretary of the Board.

1. The Audit Committee

The audit committee was formed based on a decision of the Board of Directors on 10/8/2017, meeting No. 3/2017. The Chairman and the vice chairman were elected in the meeting of the Committee on 6/11/2017. The powers of the Committee is in effect for the entire duration of the membership of the board of directors.

The tasks of the committee are represented in developing appropriate criteria to ensure the reinforcement of the department of internal auditing through granting the highest standards of support and guaranteeing its independence from the executive management as well as ensuring that external audits are conducted in a manner that achieves the principle of dual audit. The Committee also ensures the commitment to relevant internal company policies, laws, regulations and instructions. In addition, the committee makes sure that internal systems monitoring financial and administrative matters are comprehensive and are monitored and reviewed on time. The Committee also appoints the Board of Directors for the purpose of auditing financial reports and guaranteeing the company's commitment to legal and supervisory requirements as well as ensuring the adequacy of the qualifications and experience of the independent auditors and their independence. All this while maintaining an environment of internal discipline and supervision in the company.

The Audit Committee is composed of the following members:

Dr. Ali Hussein Abdullah	**Fadel Muhammad Al Saraf**	**Bakhit Shabib Al-Rashidi**	**Ali Abdullah Al Baghli**
The Chairman of the Committee	The Vice Chairman of the Committee	Member of the Committee	Member of the Committee

The Committee held 6 meetings during the year of 2017

Mr. Bakhit Shabib al-Rashidi got out from the the Committee since he was appointed as Oil Minister.

The Sirs/ members of the Board of Directors agreed in the meeting No. 5/2017 dated on 19/12/2017 to be satisfied with three members of the Audit Committee.

The Committee's achievements during the year 2017

1. Recommend the Board of Directors to adopt the quarterly financial statements during the current year.
2. Supervising and reviewing the work of internal audit in the company.
3. Appoint an external auditor to review and prepare the report of the annual internal control regulation ICR through a certified independent auditor other than the external auditors of the company to ensure the adequacy of internal control systems.
4. Adopting the policies and the provisions of the committee, the powers and charter of the Audit Department.

The Committee’s view with regard to the internal control environment in the company:

The Committee emanating from the Board of Directors has adopted the policies and the general procedures of the internal audit systems that cover all the activities of the company and its departments. The Audit Committee of the Board of Directors follows up the implementation of those policies and procedures. The Audit Committee also reviews the proposed plan for the audit processes within the company, where the Committee held its periodic meetings regularly with the internal auditor in which it discussed the reports and reviewed the previous observations and responsiveness with those observations in order to recognize the risks and obstacles that the company may be exposed to and the degree of their importance and the attempt to avoid those risks. Through the follow-up and supervision of the company in 2017 on the work of the Internal Audit, and based on risk assessment; the Committee believes that the company has an adequate and effective regulatory environment, where most of the fundamental gaps were dealt with and the executive management is still working on all remaining less critical gaps. The Committee also noticed the executive committee’s commitment to implement mechanisms and internal control systems to guarantee the protection of company assets and the validity of the data and ensure the workflow efficiency of the company’s operational processes and the adequacy of the financial and administrative aspects.

2. The Risks Committee

The risk committee was formed by a decision of the Board of Directors on 10/8/2017 in meeting no. 3/2017. The Chairman of the Board of Directors and the vice Chairman were elected in the meeting of the Committee on 17/8/2017. The powers of the Committee shall be for the duration of the membership of the board of directors

The functions of the risks committee are represented in the preparation and reviewing of risks management strategies and policies before being approved by the Board of Directors , ensure the availability of resources and adequate systems for risk management and the evaluation of systems and mechanisms for the identification and measurement and follow-up of different kinds of risk that the company may expose to, ensure the independence of the risk department staff and review the reports of the audit committee which affect the risk management in the company..

The Risk Committee is composed of the following members whose names are:-

Saleh Khalil Al Tamimi Chairman of the Committee	**Ali Abdullah Al Baghli** The Vice Chairman of the Committee	**Dr. Ali Hussein Abdullah** Member of the Committee

The Committee held 4 meetings during the year of 2017

The Committee's achievements during the year 2017 :

1. Adoption of policies, the provisions of the committee, the powers and charter of the Risk Management / department.
2. Adoption of the quarterly reports of the risks.

3. Nominations and Remuneration Committee

Nominations and Remuneration Committee was formed on the basis of a decision of the Board of Directors on 10/8/2017 in the meeting no 3/2017. The Chairman of the Board of Directors and the vice Chairman were elected in the meeting of the Committee on 17/8/2017.

The powers of the Committee shall be for the duration of the membership of the board of directors.

The functions of the Committee is represented in raising the recommendations of the Board of Directors concerning the nomination of th membership of the board in accordance with the policies, standards and instructions issued by the Capital Market Authority and the Ministry of Commerce regarding the controls of candidacy for membership of the board of directors. The committee holds an annual assessment of the performance of the board as a whole, review and approve the criteria for the selection of the chief executive officer and the executive managers. The Committee also works on guaranteeing the implementation of the remuneration-framework application for the chief executive officer and the executive positions. The committee also reviews and makes recommendations on matters relating to changes in the policy of wages and remuneration, including policies for the end of the service.

Nominations and Remuneration Committee consists of the following M/S whose names are:-

Dr. Ali Hussein Abdullah Chairman of the Committee	**Fadel Muhammad Al Saraf** Vice Chairman of the Committee	**Ali Abdullah Al Baghli** Member of the Committee

The Committee held a number of 3 meetings during the year of 2017.

The Committee's achievements during the year of 2017 :-

1. Amend the new organizational structure in order to comply with the requirements of the financial markets.
2. Supervising the application of the human resources management strategy.
3. Modify the policies of the company departments to comply with the requirements of the Capital Markets Authority.

Rule 3:

Selection of qualified persons for membership of the Board of Directors and the executive management.

In adherence to the methodology of the Board of Directors by forming the nomination and remuneration committee, three members were chosen for the membership of the Committee so that the Committee contains one Independent member. One of its most important objectives is the selection and attraction of appropriate qualifications for candidacy of membership of the board and executive management to ensure the achievement of the objectives to which the company aspires.

In addition, the Committee guarantees setting clear policies and criteria for the reward and benefit system to the members of the board and the executive management, and they are rewarded on the basis and criteria of direct evaluation of the performance of each Member of the executive management. Those rewards are disclosed in the annual reports of the company.

Rule 4:

To ensure the integrity of financial reports

The Board of Directors of OULA Fuel Marketing commits to the soundness and integrity of the company’s financial reports, and to present them in a sound and accurate manner to the shareholders and investors. The executive management also undertakes to the Board of Directors that the financial reports of the company are displayed properly and that those statements review all the financial aspects of the company in accordance with international financial reporting standards adopted by the Capital Markets Authority and regulatory agencies.

The Normal General Assembly of the company convened on 21/5/2017 agreed on appointing the External Auditors who enjoy the independence and impartiality and they are :-

1. BDO Al Nisf and partners.
2. Horouth Al Mehna office & partners.

Rule 5:

Set sound systems of risk management and internal control

By the existence of an independent risk management unit, which sends reports to the Risk Committee emanating from the board of directors, which identifies, measures and controls the risks. The Board of Directors reviews and provides guidance about the company's strategy,

as all departments are aware of the size of the risks faced by the company through sending timely reports to the Board of Directors and related committees to disseminate the culture of risk management within the company.
For the importance of the dissemination of the risk culture to employees of the company, an awareness campaign and internal risk competition has been launched. It is considered the first of its kind as it is directed to employees of the company and aims at establishing the culture of risk in implementation to the directives of the risk committee by taking much importance in developing the employees, where the employees represent the self-investment of the company and its prudence towards the increasing degree of the surrounding risk.
The risk of internal processes and external events is classified as operating risks which are the observed or anticipated failures, for example the competitors building of new stations and all those events were monitored and the solutions and alternatives to them were identified, in addition to the risks of the failure of information technology systems. We were keen for providing them with safety means and ensure easy manual work as an emergency plan. Moreover, OULAFUEL company adheres to the highest standards of quality control and environmental safety HSEQ-COP under the supervision of control bodies.

The management of financial risks are managed through a set of procedures and systems that include the estimated budgets at the departmental level as a whole as well as to the follow-up and monitoring of financial flows and make periodic comparisons between what is planned within the estimated budget compared with actual fact to determine the deviations and correct them as specified in the internal committee for sponsoring organizations (COSO) in the integrated Framework of Action. The internal control is the activated processes made by the Board of Directors of any entity, so the internal control systems were supported and their roles were confirmed through all policies and charters and the flow of work for all departments of the company.

The internal control systems aimed at:

1. Achieving the goals of the business through effective management.
2. Compliance with applicable laws and regulations.
3. The protection of the value of the business assets.
4. Prevent and minimize errors and irregularity.

It is worth mentioning that the company could take all the available procedures and systems of internal control to ensure that adequate assurance is not absolute. The Board of Directors is responsible for supervising the internal control systems which allow it to obtain reasonable assurance regarding the effectiveness and convenience of these systems of executive management.

Rule 6:

Promotion of professional behavior and ethical values

The company has developed and adopted the professional charter of conduct which supports sound and ethical practices.
The Board of Directors and Executive Management Members and the employees have signed on an acknowledgment and pledge that constitutes the principles and values in this Charter as an integral part of the firm commitment of the company to which the company seeks to preserve its reputation and the confidence of the public and supports the decisions based on the values when providing service to customers.
Integrity is one of the priorities in the values of the company. It is the target that instructs its employees in all what they are doing, therefore, focusing on integrity strengthens the working method, which is based on the dissemination of moral ethics and decision-making.

Rule 7:

Accurate and on time disclosure and transparency

OULAFUEL is one of the pioneer supporters of the concept of disclosure and transparency policy represented in the members of the board of directors, since the issuance of the decision of the capital markets in 2010.
The disclosure policy lies in the declaration and the dissemination of substantive information in specific times, which may be of interest to or attract investors and stakeholders and through which financial statements (interim or annual) are provided and disclosure of all essential information that might affect the status of the company or the market value of the circulating shares is made.
The policy, which was also formulated to clarify the importance of and the need for disclosure and transparency, was keen to retain those disclosures in special records that contain the representations of members of the board of directors, executive management and all knowledgeable people.
To strengthen the confidence of shareholders and in order to support the perspective of disclosure, this essential information is presented in accurate and transparent way in the official site of the company.

Rule 8:

Respect the rights of shareholders:

In accordance to the policy of regulating the relationship with stakeholders and shareholders in OULAFUEL marketing company, the Board of Directors and the executive management, acknowledge their responsibilities to represent the interests of all shareholders as the Board of Directors ensures respect for the rights of shareholders to achieve justice and equality in accordance with the relevant laws and regulations and the statute of the company, therefore, all company shareholders enjoy the public and transparent rights including recording the value of shares owned in the books of accounts, recording and transferring ownership of shares, the original profit distributions, receive information and data about the activities of the company and operating strategies and investment at the appropriate time, participation in the meetings of the General Assembly, voting on its decisions, election of members of the board of directors, and monitoring the company performance as well as the performance of the board of directors.

Rule 9:

Understanding of the role of stakeholders:

OULAFUEL marketing company is committed to the protection of the rights of the fuel-marketing stakeholders, therefore, the interests' conflict policy of the company was adopted to meet the requirements of the capital markets and regulate the company's relations with all stakeholders. The purpose of this policy is to regulate the relationship with the stakeholders of the company and the supervisory procedures and regulations for the protection of stakeholders and preservation of their rights that include :-

1. Establish a mechanism to preserve the rights of the stakeholders approved by the regulations and protected by contracts.
2. IThe mechanisms for the settlement of complaints or disputes that may arise between the company and stakeholders.
3. Appropriate mechanisms to establish good relations with clients and suppliers and to maintain the confidentiality of information relating to them.
4. The treatment of all members of the Board of Directors and the parties with the same conditions applied by the company with various parties of stakeholders without any discrimination or detailed requirements.
5. Allow the stakeholders including individuals and parties to have the freedom of communication with the Board of Directors or the executive management to express their concerns toward any actions which is illegal or contrary to the ethics of the profession in a way that do not prejudice their rights.

Rule 10:

Reinforcement and Improving Performance

Since its establishment, OULA company has been keen on reinforcing the values of its employees through the participation of all departments in the formulation of the estimated budget and creating cooperation between all departments in all that is related to the nature of the work in order to achieve the desired goals and link them to the standards of the executive authority. Accordingly, all the training needs of all the departments shall be counted that may be training courses or workshops. The internal awareness campaign was launched to company employees in order to enrich the "culture of risk".

Rule 11:

Focusing on the importance of social responsibility

In belief that OULA company achievement of balance between all of the company's goals and objectives of society lies in the creation of an environment that contributes and provides job opportunities for national staff and the preparation of appropriate living conditions of the workforce and their families and society as a whole. It also supports and gives confidence to the university students and the small entrepreneurs to open new horizons through its support of the graduation Projects and participation in exhibitions job opportunities. For the importance of the role of women in society, the company was keen to participate in the first forum to enable Arab women with disabilities in public life. It is committed to the protection of the environment from pollution and environmental damage through its commitments to regulatory decisions, as evidenced by the fact that it has won the prize of the Kuwaiti National Oil Company of the highest standards of quality and environmental safety in 2017.

The report of the audit committee for the financial year ending 31/12/2017

The Audit Committee is composed of the following persons whose names are:-

Dr. Ali Hussein Abdullah Chairman of the Committee	**Fadel Muhammad Al Saraf** Vice Chairman of the Committee	**Bakhit Shabib Al-Rashidi** Member of the Committee	**Ali Abdullah Al Baghli** Member of the Committee

Mr. Bakhit Shabib al-Rashidi got out from the membership of the Committee and the Board of Directors since he was appointed as the Oil Minister. The Sirs/ members of the Board of Directors agreed in the meeting no. 5/ 2017 dated on 19/12/2017 to be satisfied with three members of the Audit Committee.

The meetings of the Committee:

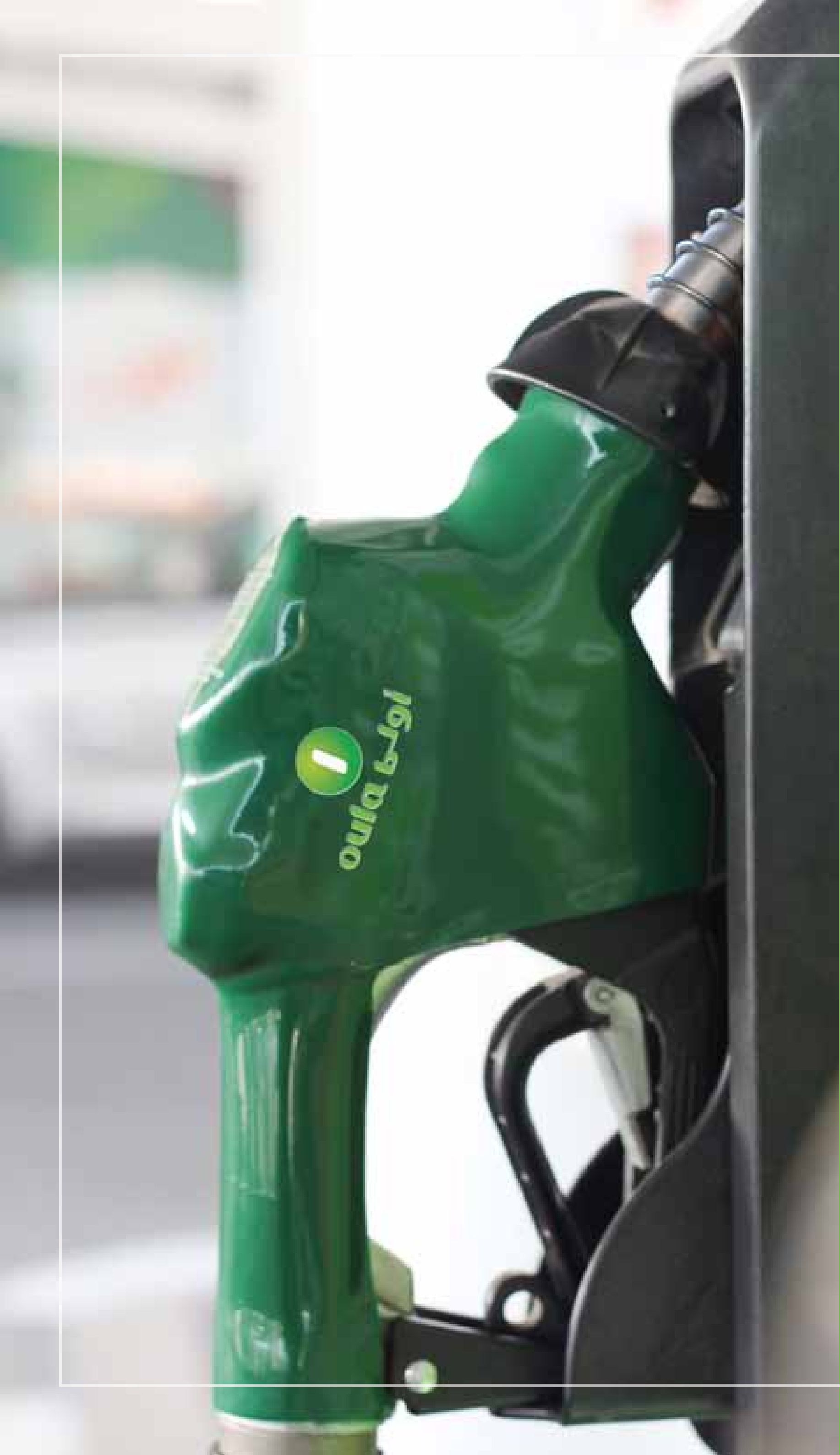
The Committee held a number of 6 meetings during the year of 2017:

The Committee's achievements during the year 2017:-

1. Recommend the Board of Directors to adopt the quarterly financial statements during the year of 2017.
2. Supervising and reviewing the work of internal audit in the company.
3. Appoint an external auditor to review and prepare the report of the annual internal control regulation ICR through a certified independent auditor other than the external auditors of the company to ensure the adequacy of internal control systems.
4. Adopting the policies and the provisions of the committee, the powers and charter of the Audit Department.

The view of the Committee with regard to the internal control environment in the company:

The Committee emanating from the Board of Directors has adopted the polices and the general procedures of the internal audit systems that cover all the activities of the company and its departments. The Audit Committee of the Board of Directors follows up the implementation of those policies and procedures. The Audit Committee reviews the proposed plan for the work of the audit within the company, where the Committee held its periodic meetings regularly with the internal auditor in which it discussed the reports and reviewed the previous observations and responsiveness with those observations in order to recognize the risks and obstacles that the company may be exposed to and the degree of their importance and the attempt to avoid those risks. Through the follow-up and supervision of the company in 2017 on the work of the Internal Audit, based on risk assessment, the Committee believes that the company has adequate and effective regulatory environment, where most of the fundamental gaps were dealt with and still the executive management completing all the remaining gaps, which are less dangerous. The Committee also noted the concern of the executive committee to implement mechanisms and internal control systems to ensure the protection of the assets of the company and the validity of the data as well as to the efficient workflow of the operational processe s of the company and the adequacy of the financial and administrative aspects.



CONTENTS

Consolidated Financial Statements

And Independent Auditors Report

For the year ended December 31,2017

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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 subsidiary (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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.

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

Report on the Audit of Consolidated Financial Statements (continued)

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.

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 2017. 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.

See (Note 8) to the consolidated financial statements for its related disclosure.

Valuation and impairment of financial assets available for sale

As at 31 December 2017, the Group has financial assets available for sale amounting to KD 7,741,212 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.

See (Note 10) to the consolidated financial statements for its related disclosure.

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

Report on the Audit of Consolidated Financial Statements (continued)

How the scope of our audit responded to the risk

Audit procedures performed by us included carrying out the following procedures and other matters:

- 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.
- Evaluating the objectivity, independence and professional qualification and scope of work of management valuation expert.
- We assessed the appropriateness of the disclosure as shown in (Note 8) of the consolidated financial statements and related sensitivity analysis.

How the scope of our audit responded to the risk

Audit procedures performed by us included carrying out the following procedures and other matters:

- 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.
- 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 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.
- We assessed the completeness and accuracy of the disclosure, in (Note 10) of the consolidated financial statements.

Other Information

Management is responsible for the other information. Other information consists the information included in the Group’s 2017 Annual Report, other than the consolidated financial statements and our auditors’ 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)

Report on the Audit of Consolidated Financial Statements (continued)

Other Information (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.

37

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

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of Consolidated Financial Statements (continued)

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.
- 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.

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

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of Consolidated Financial Statements (continued)

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 auditors' 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 Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that a physical count 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 Regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Rabea Saad Al-Muhanna
License No. 152 "A"
Horwath Al-Muhanna & Partners

Kuwait: 19 March 2018

Consolidated statement of financial position

As at 31 December 2017

	Notes	2017 KD	2016 KD
ASSETS			
Non-current assets			
Property and equipment	5	16,420,690	14,259,619
Intangible assets	6	1,206,292	1,270,714
Leasehold rights	7	14,501,266	15,354,282
Investment properties	8	12,929,000	13,077,000
Investment in associates	9	12,081,969	8,526,013
Financial assets available for sale	10	16,814,423	6,718,771
Term deposits	11	-	750,000
		73,953,640	59,956,399
Current assets			
Inventories		781,164	656,995
Accounts receivable and other debit balances	12	3,889,666	17,536,504
Term deposits	11	2,271,175	5,506,066
Cash and cash equivalents	13	10,446,664	6,191,409
		17,388,669	29,890,974
TOTAL ASSETS		91,342,309	89,847,373
EQUITY AND LIABILITIES			
Equity			
Share capital	14	40,456,810	40,456,810
Statutory reserve	15	4,807,972	4,429,772
Voluntary reserve	16	4,807,972	4,429,772

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)

As at 31 December 2017

	Notes	2017 KD	2016 KD
Treasury shares	17	(1,458,518)	(1,458,518)
Treasury shares reserve		86,127	86,127
Cumulative changes in fair value reserve		(220,514)	365,009
Retained earnings		12,487,233	11,653,650
Total equity		60,967,082	59,962,622
Liabilities			
Non-current liability			
Term loans	18	6,724,417	8,925,417
Employees' end of service benefits		554,517	479,665
		7,278,934	9,405,082
Current liabilities			
Term loans	18	2,201,000	2,201,000
Due to related parties	19	13,480,859	12,454,887
Accounts payable and other credit balances	20	7,414,434	5,823,782
		23,096,293	20,479,669
Total liabilities		30,375,227	29,884,751
TOTAL EQUITY AND LIABILITIES		91,342,309	89,847,373

Abdul Hussain S. Al Sultan
(Chairman)

Sheikh Talal Khaled Al-Ahmad Al-Sabah
(Vice Chairman)

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of income

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Sales		148,333,395	117,232,077
Cost of sales		(135,980,290)	(104,524,426)
Operating expenses		(8,584,752)	(8,536,688)
Gross profit		3,768,353	4,170,963
Realised gain on sale of financial assets available for sale		108,412	440
Realised gain on sale of investment properties	8	-	1,000,000
Change in fair value on revaluation of investment properties	8	(148,000)	(107,319)
Dividends income		368,260	49,488
Impairment losses on financial assets available for sale	10	(524,809)	(1,234,216)
Share of results of an associate	9	270,394	267,323
Rental income		920,242	574,030
Other income	21	2,316,760	2,192,540
Interest income		92,269	93,009
Finance costs		(489,714)	(566,340)
Staff costs		(1,397,631)	(1,300,658)
General and administrative expenses		(1,502,536)	(1,464,815)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Directors' remuneration		3,782,000	3,674,445
KFAS		(31,588)	(31,083)
NLST		(86,843)	(85,440)
Zakat		(36,508)	(35,462)
Directors' remuneration	23	(45,000)	(45,000)
Profit for the year		3,582,061	3,477,460
(Basic and diluted earnings per share (fils	22	8.99	8.73

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 KD	2016 KD
Profit for the year		3,582,061	3,477,460
Other comprehensive loss			
Items that are or may be reclassified subsequently to the consolidated statement of income in subsequent years:			
Financial assets available for sale:			
Cumulative change in fair value of financial assets available for sale		(1,001,920)	(1,512,263)
Gain on sale of financial assets available for sale transferred to consolidated statement of income		(108,412)	(440)
Impairment of financial assets available for sale transferred to consolidated statement of income	10	524,809	1,234,216
Total other comprehensive loss		(585,523)	(278,487)
Total comprehensive income for the year		2,996,538	3,198,973

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Share capital	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Cumulative change in fair value reserve	Retained earnings	Total equity
	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
Total other comprehensive loss for the year	-	-	-	-	-	(278,487)	-	(278,487)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(278,487)	3,477,460	3,198,973
(Cash dividends (Note 23	-	-	-	-	-	-	(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 2017	40,456,810	4,429,772	4,429,772	(1,458,518)	86,127	365,009	11,653,650	59,962,622
Profit for the year	-	-	-	-	-	-	3,582,061	3,582,061
Total other comprehensive loss for the year	-	-	-	-	-	(585,523)	-	(585,523)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(585,523)	3,582,061	2,996,538
(Cash dividends (Note 23	-	-	-	-	-	-	(1,992,078)	(1,992,078)
Transfer to reserves	-	378,200	378,200	-	-	-	(756,400)	-
Balance at 31 December 2017	40,456,810	4,807,972	4,807,972	(1,458,518)	86,127	(220,514)	12,487,233	60,967,082

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Directors' remuneration		3,782,000	3,674,445
:Adjustments for			
Depreciation	5	1,287,114	1,203,917
Amortisation	7&6	917,438	917,438
Realized gain on sale of financial assets available for sale		(108,412)	(440)
Impairment losses on financial assets available for sale	10	524,809	1,234,216
Realised gain on sale of investment properties	8	-	(1,000,000)
Change in fair value on revaluation of investment properties	8	148,000	107,319
Dividends income		(368,260)	(49,488)
Share of results of an associate	9	(270,394)	(267,323)
Interest income		(92,269)	(93,009)
Finance costs		489,714	566,340
Provision for employees' end of service benefits		84,728	89,402
		6,394,468	6,382,817
:Movements in working capital			
Inventories		(124,169)	(303,675)
Accounts receivable and other debit balances		6,693,401	1,514,744
Accounts payable and other credit balances		1,178,564	2,214,558
Due to related parties		1,025,972	4,014,343
Cash flows from operations		15,168,236	13,822,787
Employees' end of service benefits paid		(9,876)	(5,683)
Net cash flows from operating activities		15,158,360	13,817,104

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
INVESTING ACTIVITIES			
Purchase of property and equipment	5	(3,448,185)	(2,976,766)
Addition to investment in an associate		(3,285,562)	(312,827)
Additions to investment properties	8	-	(2,349,277)
Purchase of financial assets available for sale		(4,519,935)	(1,867,928)
Proceeds from sale of financial assets available for sale		375,800	453,074
Placement of term deposits		(29,181,048)	(17,256,066)
Proceeds from term deposits		33,165,939	17,456,780
Dividends income received		368,260	49,488
Interest income received		92,269	93,009
Net cash flows used in investing activities		(6,432,462)	(6,710,513)
FINANCING ACTIVITIES			
Proceeds from term loans		-	950,000
Settlement of term loans		(2,201,000)	(1,750,250)
Dividends paid		(1,779,929)	(1,702,628)
Finance costs paid		(489,714)	(566,340)
Net cash flows used in financing activities		(4,470,643)	(3,069,218)
Net increase in cash and cash equivalents		4,255,255	4,037,373
Cash and cash equivalents at the beginning of the year		6,191,409	2,154,036
Cash and cash equivalents at the end of the year	13	10,446,664	6,191,409
:Non-cash transactions			
Additions of financial assets available for sale through accounts receivable and other debit balances	12&10	6,953,437	-

The notes on pages 11 to 44 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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 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 consolidated financial statements of the Group for the year ended 31 December 2016 approved by the shareholders of the Parent Company during the annual general assembly meeting held on 21 May 2017.

The consolidated financial statements of the Parent Company and its subsidiary (together referred to as "the Group") (Note 3.1) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors' on 19 March 2018 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.

2. BASIS OF PREPARATION

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

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.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas of significant judgments and estimates made in preparing the consolidated financial statements and their effect are disclosed in (Note 4).

2.1 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").

2.2 Application of new and revised international financial reporting standards (IFRSs)

a) New standards, interpretations and amendments effective from 1 January 2017

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards:

Amendment to IAS 7 – Disclosure Initiative

The amendment to this standard which is effective prospectively for annual periods beginning on or after 1 January 2017 require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liability arising from financing activities, including both changes arising from cash flows and non-cash changes.

The adoption of these amendments did not have any material impact on the current year.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments to this standard which are effective retrospectively for annual periods beginning on or after 1 January 2017 clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The adoption of these amendments did not have any material impact on the current year.

2. BASIS OF PREPARATION (continued)

2.2 Application of new and revised international financial reporting standards (IFRSs) (continued)

Annual Improvements to IFRSs 2014 – 2016 Cycle:

Amendments to IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

b) Standards and interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

This standard will be effective for annual periods beginning on or after 1 January 2018, the amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

These amendments are not expected to have any material impact to the Group.

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after 1 January 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

2. BASIS OF PREPARATION (continued)

2.2 Application of new and revised international financial reporting standards (IFRSs) (continued)

b) Standards and interpretations issued but not effective (continued)

The Directors of the Group anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services.

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 - Leases

This standard will be effective for annual periods beginning on or after 1 January 2019. This standard will be replacing IAS 17 "Leases" and will require lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

2. BASIS OF PREPARATION (continued)

2.2 Application of new and revised international financial reporting standards (IFRSs) (continued)

b) Standards and interpretations issued but not effective (continued)

IFRS 17 – Insurance Contracts

This standard will be effective for annual periods beginning on or after 1 January 2021 and replaces IFRS 4 - Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

a) A specific adaptation for contracts with direct participation features (Variable fee approach)

b) A simplified approach (premium allocation approach) mainly for short duration contracts

These amendments are not expected to have any material impact to the Group.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The interpretation will be effective for annual periods beginning on or after 1 January 2018 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

These amendments are not expected to have any material impact to the Group.

Amendments to IAS 28 – Investment in Associates and Joint Ventures

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted.

The amendments clarify that:

An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

2. BASIS OF PREPARATION (continued)

2.2 Application of new and revised international financial reporting standards (IFRSs) (continued)

b) Standards and interpretations issued but not effective (continued)

Amendments to IAS 28 – Investment in Associates and Joint Ventures (continued)

If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

These amendments are not expected to have any material impact to the Group.

Amendments to IAS 40 – Transfers of Investment Property

The amendment will be effective for annual periods beginning on or after 1 January 2018 and clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments are not expected to have any material impact to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary (together referred to as the "Group") as at 31 December 2017. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

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 %	
				2017	2016
Ultra Holding Company K.S.C. (Closed) and its subsidiaries as follows: *	Kuwait	Direct	Operating central markets	96%	96%
Quick International Car Service Company K.S.C. (Closed)	Kuwait	Indirect	Car services	96%	96%
Ultra Supermarkets Services Company K.S.C. (Closed)	Kuwait	Indirect	Marketing services	96%	96%
Ultra Consulting Company W.L.L.	Kuwait	Indirect	Consultancy services	96%	96%

* Effective ownership percentage is 100% (2016: 100%).

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses if any. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Property and equipment (continued)

Property and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

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

The asset’s residual values, useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. A change in the estimated useful life of a property and equipment is applied at the beginning of the year of change prospectively.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by the difference between the net sales proceeds and the net carrying amount of the asset and is recognised in the consolidated statement of income.

Work in progress is included in property and equipment in the consolidated statement of financial position until they are completed and ready for their intended use, at that time, they are reclassified under similar assets and the depreciation commences.

3.3 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Intangible assets (continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 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.

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.

3.5 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.

3.6 Impairment of non-financial assets other than goodwill

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment of non-financial assets other than goodwill (continued)

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.

3.7 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.

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 consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Investment in associates (continued)

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.

3.8 Financial assets

Financial assets within the scope of IAS 39 are classified as "financial assets at fair value through profit or loss", "loans and receivables'' "available for sale investments" and "held to maturity". The classification depends on the purpose for which financial assets were acquired and it is determined at initial recognition.

Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of income.

A "regular way" purchase of financial assets is recognised using the trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Classification

The Group's financial assets include "financial assets available for sale", "term deposits", "accounts receivables and other debit balances" and "cash and cash equivalents".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial assets (continued)

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 debit 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. Debit 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 is recognised in the consolidated statement of income in impairment loss of investment and removed from cumulative change in fair value reserve. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Term deposits

Term deposits are deposits with banks maturing within a period of three months or more from the date of deposit and bearing interest.

Accounts receivable and other debit balances

Accounts receivable and other debit balances 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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, at banks and at portfolios, deposits held at call with banks, they are short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 debitors or a group of debitors 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial liabilities

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.

Recognition and initial measurement

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

Classification

The Group's financial liabilities include "term loans", "due to related parties" and "account payables and other credit balances"

Subsequent measurement

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

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'.

Account payables and other credit balances

Account payables and other credit balances are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Account payables and accruals are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously.

3.11 Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the consolidated financial position date, and approximates the present value of the final obligation.

Concerning the Kuwaiti national staff, the Group makes subscriptions to the General Organisation for social security being calculated as a percentage of monthly salaries of the employees. The Group's commitment is limited to such amounts of commitments which are recognized as an expense upon satisfaction of the vesting conditions by related staff.

3.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.13 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kuwaiti Dinars ("KD").

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated financial statements date.

Foreign exchange profits and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

3.15 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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Revenue recognition (continued)

Dividends income

Dividends income are 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.

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.

3.16 Borrowing costs

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and are recognised in profit or loss in the period in which they are incurred.

3.17 Leases

Leasehold lands are measured on initial recognition at cost. The useful life of the leasehold lands is assessed to be either finite or indefinite. Leasehold lands with finite life are amortised over the expected period of benefits and tested for impairment whenever there is an indication that the leasehold lands may be impaired.

If the carrying value of the leasehold lands is more than the recoverable amount, the leasehold lands are considered impaired and is written down to its recoverable amount. The excess of carrying value over recoverable amount is recognised in the consolidated statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Leases (continued)

Where the Group is the lessee - operating lease:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Where the Group is the lessor- operating lease:

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate

3.18 Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labor 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.

Zakat

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

3.19 Related party transactions

Related parties consist of associate companies, major shareholders, directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are conducted on an arm's length basis and are approved by management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Dividends

Dividends distribution to the Parent Company's shareholders are recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders.

3.21 Contingent assets and liabilities

Contingent assets are not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

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

3.22 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.

4. ESTIMATION UNCERTAINTY

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.

Accounting judgements

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

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.

4. ESTIMATION UNCERTAINTY (continued)

Accounting judgements (continued)

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.

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.

4. ESTIMATION UNCERTAINTY (continued)

Accounting judgements (continued)

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 consolidated 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

The Group reviews the property and equipment on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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.

4. ESTIMATION UNCERTAINTY (continued)

Estimation uncertainty (continued)

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.

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.

Contingent liabilities

Contingent liabilities arise as a result of past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events that are not included in full within control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

5. PROPERTY AND EQUIPMENT

	Fuel stations	Furniture and decorations	Computers	Equipments	Vehicles	Projects under construction	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
Balance as 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)	-
Balance as at 31 December 2016	18,519,018	649,288	2,289,194	1,198,925	11,700	1,880,585	24,548,710
Additions	-	-	-	-	7,811	3,440,374	3,448,185
Transfers	1,341,964	30,766	57,483	32,584	-	(1,462,797)	-
Balance as at 31 December 2017	19,860,982	680,054	2,346,677	1,231,509	19,511	3,858,162	27,996,895
Accumulated depreciation							
Balance as 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
Balance as at 31 December 2016	6,912,052	604,262	2,029,840	732,700	10,237	-	10,289,091
Charge for the year	921,618	36,060	143,505	183,492	2,439	-	1,287,114
Balance as at 31 December 2017	7,833,670	640,322	2,173,345	916,192	12,676	-	11,576,205
Net carrying amount							
Balance as at 31 December 2017	12,027,312	39,732	173,332	315,317	6,835	3,858,162	16,420,690
Balance as at 31 December 2016	11,606,966	45,026	259,354	466,225	1,463	1,880,585	14,259,619
Annual Depreciation rates	4%-6.66%	25%	25%	25%	25%		

Fuel stations are constructed on land leased from the Government of Kuwait. Projects under construction represents major renovations and significant improvements being carried out at the fuel stations. Not with standing the contractual term of the lease for leasehold land, these are amortised over 26 years based on common practice in Kuwait for similar lands.

5. PROPERTY AND EQUIPMENT (continued)

Depreciation has been charged to the consolidated statement of income as follows:

	2017	2016
	KD	KD
Operating expenses	1,015,110	1,013,094
General and administrative expenses	272,004	190,823
	1,287,114	1,203,917

6. NTANGIBLE ASSETS

	2017	2016
	KD	KD
Cost		
Balance as at 31 December	1,786,090	1,786,090
Accumulated Amortisation		
Balance as at 1 January	515,376	450,954
Charge for the year	64,422	64,422
Balance as at 31 December	579,798	515,376
Net book value		
Balance as at 31 December	1,206,292	1,270,714

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.

7. LEASEHOLD RIGHTS

	2017	2016
	KD	KD
Cost		
Balance as at 31 December	22,178,410	22,178,410
Accumulated Amortisation		
Balance as at 1 January	6,824,128	5,971,112
Charge for the year	853,016	853,016
Balance as at 31 December	7,677,144	6,824,128
Net book value		
Balance as at 31 December	14,501,266	15,354,282

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.

8. INVESTMENT PROPERTIES

	2017	2016
	KD	KD
As at 1 January	13,077,000	-
Recognition of investment properties	-	23,835,042
Additions during the year	-	2,349,277
Disposal during the year	-	(13,000,000)
Change in fair value on revaluation of investment properties	(148,000)	(107,319)
	12,929,000	13,077,000

8. INVESTMENT PROPERTIES (continued)

During the year ended 31 December 2016, investment property with a carrying amount of KD 13,000,000 was sold for a consideration of KD 14,000,000 which resulted in a gain of KD 1,000,000 recorded in the consolidated statement of income. During the current year, the Group settled the receivable balance amounting to KD 13,000,000, arising from the sale of the investment property by acquiring quoted shares with an amount of KD 6,953,437 in accordance with the amended settlement agreement between parties and the remaining balance of KD 6,046,563 were received in cash (Note 12).

Investment property amounting to KD 1,376,000 is pledged with an Islamic financial institution against term loan (Note 18).

Investment properties with total amount of KD 11,553,000 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 2017, the fair value of investment properties is KD 12,929,000 (2016: KD 13,077,000). 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's, which is divided by the capitalisation rate, assuming full capacity of the properties.

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

	Kuwait	
	2017	**2016**
Average monthly rent (per sqm) (KD)	14.58	8.3
Capitalization rate	7.83%	8.25%
Occupancy rate	100%	97%

8. INVESTMENT PROPERTIES (continued)

Sensitivity analysis

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

	Changes in valuation assumptions	Kuwait	
		2017	2016
		KD	KD
Average rent	+/-5%	646,450	653,850
Capitalization rate	+/-5%	595,813	622,714
Occupancy rate	+/-5%	(646,450)	(653,850)

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

	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	KD
2017				
Investment properties	-	-	12,929,000	12,929,000
2016				
Investment properties	-	-	13,077,000	13,077,000

8. INVESTMENT PROPERTIES (continued)

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

	As at 1 January	Additions	Disposal	Change in fair value	As at 31 December
	KD	KD	KD	KD	KD
2017					
Investment properties	13,077,000	-	-	(148,000)	12,929,000

	As at 1 January	Additions	Disposal	Change in fair value	As at 31 December
	KD	KD	KD	KD	KD
2016					
Investment properties	-	26,184,319	(13,000,000)	(107,319)	13,077,000

9. INVESTMENT IN ASSOCIATES

	Principal activity	Place of incorporation	Ownership Interest		Carrying amount	
			2017	2016	2017	2016
			%	%	KD	KD
Name of associate						
National Leasing and Financing Company K.S.C. (Closed)	Leasing and investment	Kuwait	29.37%	21.13%	12,081,969	8,526,013
Petro Net Smart Network Company K.S.C. (Closed)	Network company	Kuwait	25%	25%	-	-

During the year, the Group increased its interest in National Leasing and Financing Company K.S.C. (Closed) from 21.13% to 29.37% and was able to continue exercising significant influence over the operation of this investee Company.

There is no significant difference between the fair value and the book value of the acquired portion of 8.24% and accordingly, the transaction has not resulted in any goodwill for the year ended 31 December 2017.

9. INVESTMENT IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of the Group's investment in National Leasing and Financing Company K.S.C. (Closed) based on management accounts:

	2017	2016
	KD	KD
As at 31 December		
Total assets	64,088,357	64,693,956
Total liabilities	22,459,681	24,343,682
Net assets	41,628,676	40,350,274
Carrying amount of the investment	12,081,969	8,526,013
For the year ended 31 December		
Income	4,532,984	6,067,447
Expenses	3,179,522	4,802,612
Profit	1,353,462	1,264,835
Group's share of results	270,394	267,323

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

10. FINANCIAL ASSETS AVAILABLE FOR SALE

	2017	2016
	KD	KD
Investments in managed portfolios of equity securities	16,814,423	6,718,771
	16,814,423	6,718,771
Investments carried at fair value	9,073,211	2,190,171
Investments carried at cost	7,741,212	4,528,600
	16,814,423	6,718,771

10. FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

As at 31 December 2017, unquoted equity securities of KD 7,741,212 (2016: KD 4,528,600) 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 524,809 (2016: KD 1,234,216) has been recorded against unquoted equity securities.

Financial assets available for sale with total amount of KD 16,814,423 (2016: KD Nil) held through discretionary portfolio.

During the current year, the Group settled the receivable balance with an amount of KD 6,953,437, arising from the sale of investment property by acquiring quoted shares with amount of KD 6,953,437 in accordance with amended settlement agreement between parties (Note 8 & 12).

The hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques are presented in (Note 27).

11. TERM DEPOSITS

Term deposits represents deposits with local 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 from 1.55% to 2.4% per annum (2016: ranges from 0.9% to 2.8% per annum).

12. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2017	2016
	KD	KD
Trade receivables	3,522,010	3,370,439
Prepayments	2,960,546	3,500,690
Refundable deposits	14,450	16,950
Receivable arising from sale of investment property (Note 8)	-	13,000,000
Other receivable	84,616	340,381
	6,581,622	20,228,460
Less: provision for impairment of trade receivables	(2,691,956)	(2,691,956)
	3,889,666	17,536,504

Trade receivables includes receivable balance from an associate Company of KD 2,691,956 (2016: KD 2,691,956) and ultimately the outstanding balance has been fully impaired (Note 24).

12. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES (continued)

During the current year, the Group settled the receivable balance with an amount of KD 13,000,000, arising from the sale of the investment property by acquiring quoted shares with an amount of KD 6,953,437 in accordance with the amended settlement agreement between parties and the remaining balance of KD 6,046,563 were received in cash (Note 8 &10).

Prepayments include advances paid to acquire real estate investments which were paid to a third party of KD 2,080,000 (2016: KD 2,080,000).

In determining the recoverability of a accounts receivable, the Group considers any change in the credit quality of the accounts 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 accounts receivable before provision as follows:

	Neither past due nor impaired	Past due and fully impaired	Total
	KD	KD	KD
2017			
Trade receivables	830,054	2,691,956	3,522,010
	830,054	2,691,956	3,522,010

	Neither past due nor impaired	Past due and fully impaired	Total
	KD	KD	KD
2016			
Trade receivables	678,483	2,691,956	3,370,439
	678,483	2,691,956	3,370,439

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 other debit balances.

13. CASH AND CASH EQUIVALENTS

	2017	2016
	KD	KD
Cash on hand	1,663,397	1,304,062
Cash at banks	5,138,456	3,679,910
Cash at portfolios	1,108,207	1,207,437
Short term deposits (less than three months)	2,536,604	-
	10,446,664	6,191,409

The average effective interest rate on short term deposits ranges from 1.55% to 1.75% per annum.

14. SHARE CAPITAL

	2017	2016
	KD	KD
Authorised and issued shares:		
404,568,177 (2016: 404,568,177) shares of 100 fils each. All shares are paid in cash	40,456,810	40,456,810

15. STATUTORY RESERVE

As required by the Companies Law and the Parent Company's Memorandum of Incorporation, 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.

16. VOLUNTARY RESERVE

In accordance with the Parent Company's Memorandum of Incorporation, 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.

17. TREASURY SHARES

	2017	2016
	KD	KD
Number of treasury shares	6,127,761	6,127,761
Percentage of ownership	1.52%	1.52%
Market value (KD)	674,054	710,821
Cost (KD)	1,458,518	1,458,518

During the year, the Parent Company increased their treasury shares by 148,582 shares, arising from previous years, distrbution of bonus shares ("fractional shares"), which have been accumlated over the last years.

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.

18. TERM LOANS

	Current		Non–current	
	2017	2016	2017	2016
	KD	KD	KD	KD
Currency				
Kuwaiti Dinars	2,201,000	2,201,000	6,724,417	8,925,417
	2,201,000	2,201,000	6,724,417	8,925,417

Term loans represents banks loans granted by Islamic local bank and foreign bank at an interest rate ranging from 2% to 3.5% over the Central Bank of Kuwait discount rate (2016: 2% to 3.5% over the Central Bank of Kuwait discount rate). The loans are repayable within nine years.

Term loan with Islamic local bank amounting to KD 5,258,750 (31 December 2016: KD 5,859,750) is secured against investment property amounting to KD 1,376,000 (Note 8).

19. RELATED PARTIES DISCLOSURE

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	2017	2016
	KD	KD	KD
Consolidated statement of financial position			
Due to related parties	13,480,859	13,480,859	12,454,887
Consolidated statement of income			
Sales	1,404,156	1,404,156	1,186,484
Cost of sales	(135,980,290)	(135,980,290)	(104,524,426)
Contingent liabilities			
Letter of guarantee (Note 28)	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:

	2017	2016
	KD	KD
Salaries and short term benefits	164,482	160,425
End of service benefits	10,592	10,400
Board of Directors' remuneration (Note 23)	45,000	45,000
	220,074	215,825

19. RELATED PARTIES DISCLOSURE (continued)

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.

20. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2017	**2016**
	KD	KD
Accounts payable	1,476,764	1,014,024
Accrued expenses	3,671,230	2,967,048
Dividends payable	1,299,855	1,087,706
Directors' remuneration (Note 23)	45,000	45,000
Advance payments and other credit balances	921,585	710,004
	7,414,434	5,823,782

21. OTHER INCOME

Other income represents income from car wash, quick services, store rents and third parties media advertising, all over the fuel stations.

22. 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.

	2017	2016
Profit for the year (KD)	3,582,061	3,477,460
Weighted average number of outstanding shares during the year excluding treasury shares (shares)	398,440,416	398,440,416
Basic earnings per share (fils)	8.99	8.73

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

Weighted average number of shares for the year ended 31 December 2016 has been adjusted due to the effect of the accumulative fractional bonus shares distributed over the last years (Note 17).

23. ANNUAL GENERAL ASSEMBLY

The Annual General Assembly meeting of the Parent Company shareholders held on 21 May 2017 approved the consolidated financial statements for the year ended 31 December 2016 and approved to distribute cash dividend of 5% of the paid up share capital after deduction of treasury shares for the year ended 31 December 2016 (2015: cash dividend 5%), and approved Directors' remuneration for the year ended 31 December 2016 of KD 45,000 (2015: KD 45,000).

The Board of Directors of the Parent Company has proposed Directors' remuneration of KD 45,000 for the year ended 31 December 2017 (2016: KD 45,000), which is within the amount permissible under local regulations and are subject to the approval of the 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 2017 (2016: 5 fils) and is subject to the approval of the Annual Ordinary General Assembly Meeting of the Parent Company's shareholders.

24. 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 (2016: 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 12).

25. 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, term deposits.

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

	Fuel marketing and other related services		Investments		Total	
	2017	2016	2017	2016	2017	2016
	KD	KD	KD	KD	KD	KD
Segment revenues	150,650,155	119,424,617	1,611,577	1,876,971	152,261,732	121,301,588
Impairment losses on financial assets available for sale	-	-	524,809	1,234,216	524,809	1,234,216
Segment profit	3,184,946	3,598,030	597,054	76,415	3,782,000	3,674,445
Segment assets	47,245,742	55,269,523	44,096,567	34,577,850	91,342,309	89,847,373
Segment liabilities	30,375,227	29,884,751	-	-	30,375,227	29,884,751

The Group operates only in the State of Kuwait.

26. RISK MANAGEMENT

Financial risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to market risk, credit risk and liquidity 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 year ended 31 December.

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, equity prices and foreign currencies. 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.

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 Group's term loans obligation with fixed interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (term deposits and term loans).

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

	Increase/decrease in basis points	Effect on consolidated statement of income and equity
		KD
2017	±50	(68,666)
2016	±50	(86,912)

There is no impact on consolidated other comprehensive loss.

26. RISK MANAGEMENT (continued)

Financial risk management (continued)

Market risk (continued)

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 consolidated other comprehensive loss (as a result of a change in the fair value of financial assets 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**	
	2017	**2016**	**2017**	**2016**
	%	%	KD	KD
Kuwait market	٪٥ ±	٪٥ ±	453,661	109,509

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 Group is not exposed to foreign currency risk as financial assets and liabilities are not exposed to foreign rates.

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 and short term deposits, term 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.

26. RISK MANAGEMENT (continued)

Financial risk management (continued)

Market risk (continued)

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.

	Carrying amount	
	2017	**2016**
	KD	KD
Financial assets		
Accounts receivable and other debit balances (excluding prepayments)	929,120	14,035,814
Term deposits	2,271,175	6,256,066
Cash and cash equivalents (excluding cash on hand)	8,783,267	4,887,347
	11,983,562	25,179,227

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 76% (2016: 74%) of the trade receivables balance.

26. RISK MANAGEMENT (continued)

Financial risk management (continued)

Market risk (continued)

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 is sufficient funds are available to meet liabilities as they fall due.

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

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

	Within 3 months	3 to 12 months	Over 1 year	Total
	KD	KD	KD	KD
2017				
Term loans	650,417	1,550,583	7,715,933	9,916,933
Due to related parties	661,373	12,819,486	-	13,480,859
Accounts payable and other credit balances	6,492,849	921,585	-	7,414,434
	7,804,639	15,291,654	7,715,933	30,812,226
2016				
Term loans	650,417	1,550,583	10,487,365	12,688,365
Due to related parties	299,317	12,155,570	-	12,454,887
Accounts payable and other credit balances	5,113,778	710,004	-	5,823,782
	6,063,512	14,416,157	10,487,365	30,967,034

26. RISK MANAGEMENT (continued)

Financial risk management (continued)

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.

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, traesury shares reserve, cumulative changes in fair value reserve and retained earnings and the net debt consist of; term loans less Cash and cash equivalents.

Gearing ratio

The gearing ratio at year end was as follows:

	2017	**2016**
	KD	KD
Term loans	8,925,417	11,126,417
Less: Cash and cash equivalents	(10,446,664)	(6,191,409)
Net debt	(1,521,247)	4,935,008
Total equity	60,967,082	59,962,622
Net debt to total equity ratio	%-	8.23%

During the year, the Group has complied with all externally imposed capital requirements.

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

Financial liabilities consist of term loans, accounts payables other credit balances 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 consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1	**Total**
	KD	KD
2017		
Financial assets available for sale:		
Investments in managed portfolios	9,073,211	9,073,211
	9,073,211	9,073,211

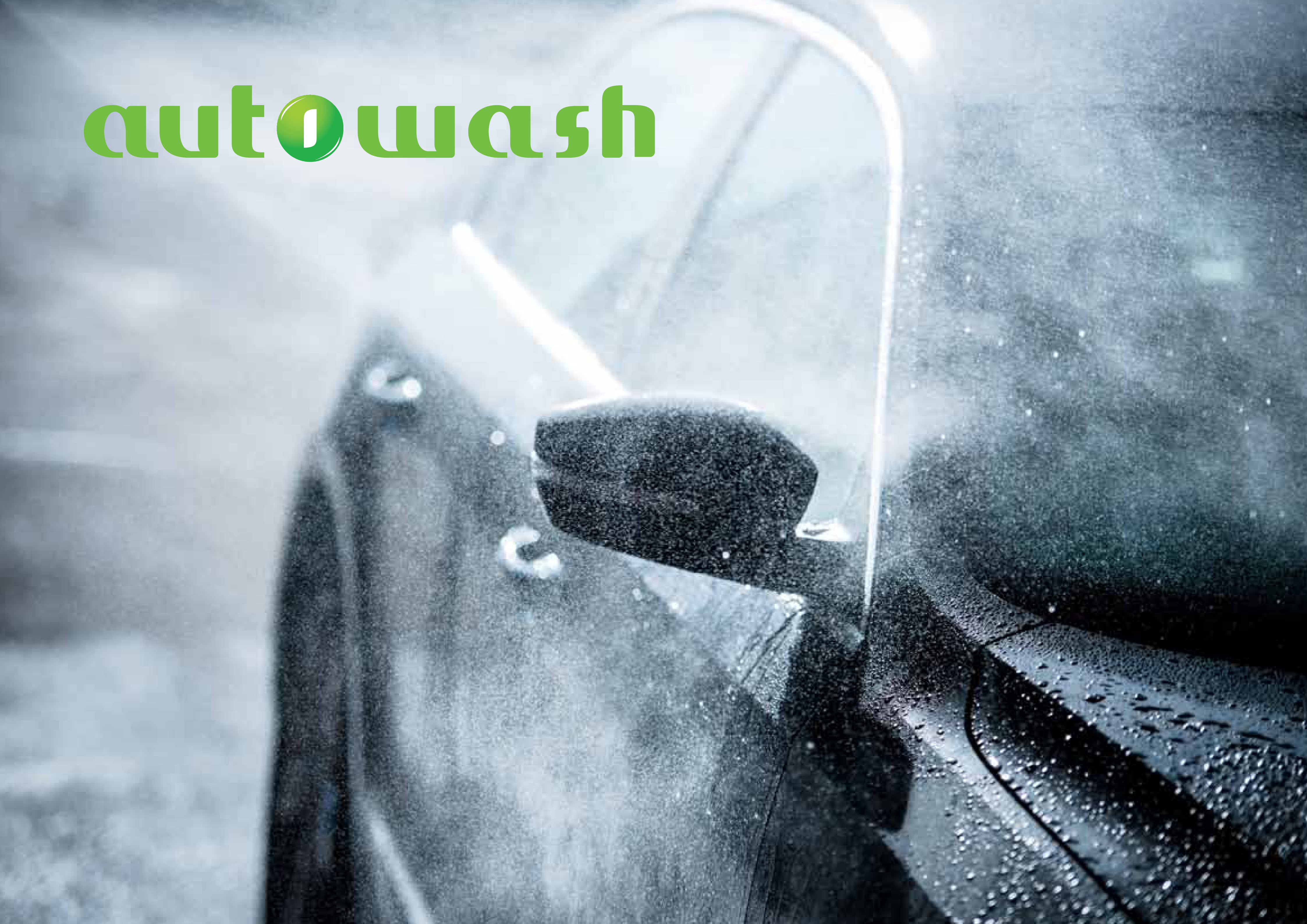
	Level 1	**Total**
	KD	KD
2017		
Financial assets available for sale:		
Investments in managed portfolios	2,190,171	2,190,171
	2,190,171	2,190,171

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

28. CONTINGENT LIABILITIES

	2017	2016
	KD	KD
Letter of guarantee (Note 19)	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.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