

**Al Soor Fuel Marketing Company K.S.C.P.
and its Subsidiary**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
(UNAUDITED)**

30 SEPTEMBER 2020



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Soor Fuel Marketing Company K.S.C.P. (the “Parent Company”) and its subsidiary (collectively, the “Group”) as at 30 September 2020, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: ‘*Interim Financial Reporting*’ (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

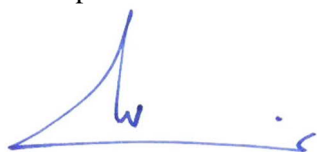
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine-months period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine months period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.



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BADER A. AL-ABDULJADER

LICENCE NO. 207-A

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AL AIBAN, AL OSAIMI & PARTNERS

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 September 2020

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		2020	2019	2020	2019
		KD	KD	KD	KD
Sales		33,211,575	39,481,937	82,411,849	117,430,524
Cost of sales	9	(30,506,396)	(36,306,072)	(75,642,634)	(107,840,327)
Operating expenses		(2,400,113)	(2,462,746)	(6,402,466)	(7,195,176)
Gross profit		305,066	713,119	366,749	2,395,021
Other income		970,948	752,378	3,194,339	2,279,988
Rental income		109,990	90,660	392,930	279,240
Net investment income	3	385,824	126,837	531,229	1,217,127
Administrative expenses		(885,512)	(903,773)	(2,441,924)	(2,735,588)
Provision for expected credit losses		(251,480)	-	(251,480)	(144,765)
PROFIT FOR THE PERIOD					
BEFORE CONTRIBUTION TO KUWAIT					
FOUNDATION FOR THE ADVANCEMENT					
OF SCIENCES (KFAS), PROVISION					
FOR NATIONAL LABOUR SUPPORT TAX					
(NLST) AND ZAKAT		634,836	779,221	1,791,843	3,291,023
Contribution to KFAS		(5,714)	(7,013)	(16,127)	(29,619)
NLST		(15,871)	(19,481)	(44,796)	(82,276)
Zakat		(6,348)	(7,792)	(17,918)	(32,910)
PROFIT FOR THE PERIOD		606,903	744,935	1,713,002	3,146,218
BASIC AND DILUTED EARNINGS PER					
SHARE	4	1.50 fils	1.86 fils	4.23 fils	7.85 fils

The attached notes 1 to 13 form part of these interim condensed consolidated financial information.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2020

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	606,903	744,935	1,713,002	3,146,218
Other comprehensive loss for the period:				
<i>Items that will not be reclassified subsequently to interim condensed consolidated statement of income:</i>				
Net fair value loss on financial assets at fair value through other comprehensive income	(1,661,760)	(2,332,164)	(3,617,865)	(6,024,958)
Other comprehensive loss for the period	(1,661,760)	(2,332,164)	(3,617,865)	(6,024,958)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(1,054,857)	(1,587,229)	(1,904,863)	(2,878,740)

The attached notes 1 to 13 form part of these interim condensed consolidated financial information.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 September 2020

		<i>(Audited)</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS			
Cash, bank balances and term deposits	6	19,973,023	14,264,197
Accounts receivable and prepayments		3,330,293	4,266,848
Inventories		853,896	728,475
Investment securities	5	22,656,607	34,261,542
Property and equipment		22,694,315	23,611,585
Intangible assets		13,021,214	11,737,135
Investment properties		4,478,065	4,509,083
TOTAL ASSETS		87,007,413	93,378,865
EQUITY AND LIABILITIES			
Equity			
Share capital		40,470,758	40,470,758
Statutory reserve		5,348,000	5,348,000
Voluntary reserve		5,348,000	5,348,000
Treasury shares	7	(23,683)	(760,279)
Treasury shares reserve		(293,796)	-
Cumulative changes in fair value reserve		(3,310,852)	531,607
Retained earnings		16,662,499	14,724,903
TOTAL EQUITY		64,200,926	65,662,989
LIABILITIES			
Term loan		-	6,000,000
Employees' end of service benefits		1,008,545	932,369
Accounts payable and accruals		21,797,942	20,783,507
TOTAL LIABILITIES		22,806,487	27,715,876
TOTAL EQUITY AND LIABILITIES		87,007,413	93,378,865

Turaif Mohammad Baqer Al Awadhi
(Chairman)

Talal Ahmad Al-Khars
(Vice Chairman & CEO)



The attached notes 1 to 13 form part of these interim condensed consolidated financial information.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2020

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair value reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2020 (Audited)	40,470,758	5,348,000	5,348,000	(760,279)	-	531,607	14,724,903	65,662,989
Profit for the period	-	-	-	-	-	-	1,713,002	1,713,002
Other comprehensive loss for the period	-	-	-	-	-	(3,617,865)	-	(3,617,865)
Total comprehensive (loss) income for the period	-	-	-	-	-	(3,617,865)	1,713,002	(1,904,863)
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	(224,594)	224,594	-
Sale of treasury shares	-	-	-	736,596	(293,796)	-	-	442,800
Balance at 30 September 2020	40,470,758	5,348,000	5,348,000	(23,683)	(293,796)	(3,310,852)	16,662,499	64,200,926
Balance at 1 January 2019	40,470,758	4,980,145	4,980,145	(760,279)	-	4,375,374	13,946,703	67,992,846
Transition adjustment on adoption of IFRS 16	-	-	-	-	-	-	239,932	239,932
Balance at 1 January 2019 (Audited)	40,470,758	4,980,145	4,980,145	(760,279)	-	4,375,374	14,186,635	68,232,778
Profit for the period	-	-	-	-	-	-	3,146,218	3,146,218
Other comprehensive loss for the period	-	-	-	-	-	(6,024,958)	-	(6,024,958)
Total comprehensive (loss) income for the period	-	-	-	-	-	(6,024,958)	3,146,218	(2,878,740)
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	178,376	(178,376)	-
Dividends declared (Note 11)	-	-	-	-	-	-	(2,004,691)	(2,004,691)
Balance at 30 September 2019	40,470,758	4,980,145	4,980,145	(760,279)	-	(1,471,208)	15,149,786	63,349,347

The attached notes 1 to 13 form part of these interim condensed consolidated financial information.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For period ended 30 September 2020

		<i>Nine months ended</i> <i>30 September</i>	
	<i>Notes</i>	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
OPERATING ACTIVITIES			
Profit for the period before KFAS, NLST and Zakat		1,791,843	3,291,023
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Net investment income	3	(531,229)	(1,217,127)
Depreciation and amortisation		2,592,719	2,248,798
Provision for employees' end of service benefits		107,342	133,355
Provision for expected credit losses		251,480	144,765
		4,212,155	4,600,814
Changes in the working capital:			
Inventories		(125,421)	(92,843)
Accounts receivable and prepayments		685,075	1,619,814
Accounts payable and accruals		935,451	3,677,350
Cash flows from operations		5,707,260	9,805,135
Employees' end of service benefits paid		(31,168)	(36,600)
Net cash flows from operating activities		5,676,092	9,768,535
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,928,509)	(3,346,348)
Purchase of investment securities		(2,388,684)	(10,273,830)
Proceeds from sale of investment securities		9,874,382	6,948,134
Term deposits withdrawn		-	850,000
Term deposits placed		(3,886,253)	-
Interest income received		239,089	248,825
Dividend income received	3	793,655	577,253
Sale of treasury shares		442,800	-
Net cash flows from (used in) investing activities		2,146,480	(4,995,966)
FINANCING ACTIVITIES			
Term loan obtained		-	1,000,000
Repayment of term loan		(6,000,000)	(1,000,000)
Dividends paid		-	(2,004,691)
Net cash flows used in financing activities		(6,000,000)	(2,004,691)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,822,572	2,767,878
Cash and cash equivalents at 1 January		5,114,197	6,814,051
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	6	6,936,769	9,581,929

The attached notes 1 to 13 form part of these interim condensed consolidated financial information.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

1 CORPORATE INFORMATION

This interim condensed consolidated financial information of Al Soor Fuel Marketing Company K.S.C.P. (the “Parent Company”) and its Subsidiary (collectively the “Group”) for the period ended 30 September 2020 were authorised for issue by the Board of Directors of the Parent Company on 11 November 2020.

The Parent Company is a Kuwaiti shareholding company and was incorporated on 20 March 2006 and commenced its operations on 9 May 2006. The Parent Company’s shares were listed on the Kuwait Stock Exchange on 30 September 2008.

The Group conducts the following activities as set forth in Article No. 5 of the Parent Company’s Articles of Association:

- ▶ Acquisition, establishment, leasing, operating, and maintenance of petrol stations;
- ▶ Establishing, developing, operating and maintaining customer service centers at petrol stations, to provide all automobile services including the changing of oil, car wash, maintenance workshop services and technical check-ups;
- ▶ The ability to fill and store fuel;
- ▶ To ship and trade in petroleum products in bulk or retail;
- ▶ The purchase, lease, acquisition, and sale of land and real estate in different locations for the purpose of carrying out the above operations.

The head office of the Parent Company is P.O. Box 28396, Safat 13144, State of Kuwait.

The Parent Company is a subsidiary of Alfa Energy Company K.S.C. (Closed) (the “Ultimate Parent Company”).

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34: “Interim Financial Reporting” (“IAS 34”).

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (“KD”), which is also the functional currency of the Parent Company.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019.

2.1 Summary of accounting policies for new transactions and events

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted and methods of computations applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: *Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Impact of COVID-19

The World Health Organisation declared on 11 March 2020, the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity.

At the reporting date, oil prices have witnessed unprecedented volatility and decline. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak, on its operations and financial performance.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group, in light of the available guidance of IFRS, and incorporated the outcome in these interim condensed consolidated financial information and explained the changes below related to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 30 September 2020:

Critical judgements and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial information, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019, with the exception of the impact of the COVID - 19 outbreak on the Group which is detailed below:

(i) Expected credit loss on financial assets measured at amortised cost

The Group has updated the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 September 2020. Revised ECLs were estimated based on a range of forecasted economic conditions at the reporting date and considering the fact that situation is fast evolving, the Group has also considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. These are reviewed and monitored for appropriateness on a quarterly basis. Further information on the Group's policy on expected credit losses is disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2019.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Impact of COVID-19 (continued)

Critical judgements and estimates (continued)

(ii) Fair value measurement of financial instruments

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the Group's policy in relation to fair value measurements is disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2019.

(iii) Property, plant and equipment, Investment properties, and intangible assets ("non-financial assets")

As at the reporting date, the Group has not identified any significant impact on the carrying values of its non-financial assets as at 30 September 2020 due to the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2019. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the interim condensed consolidated financial information.

(iv) Lease modification

The Group, as a lessor, has assessed that the changes in the lease payments that result from clauses in the original contract or in applicable law or regulation are part of the original terms and conditions of the lease, even if the effect of those clauses (arising from an event such as COVID-19 pandemic) was not previously contemplated. In such a case, there is no lease modification for the purpose of IFRS 16.

3 NET INVESTMENT INCOME

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Interest income	54,604	93,621	239,089	248,825
Dividend income	197,244	155,160	793,655	577,253
Net gain (loss) on investment securities	133,976	(121,944)	(501,515)	391,049
	385,824	126,837	531,229	1,217,127

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares).

The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the period is as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Profit for the period (KD)	606,903	744,935	1,713,002	3,146,218
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	404,591,834	400,991,834	404,591,834	400,991,834
Basic and diluted earnings per share	1.50 fils	1.86 fils	4.23 fils	7.85 fils

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

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

5 INVESTMENT SECURITIES

As at 30 September 2020, investment securities amounting to KD 14,231,394 (31 December 2019: KD 16,264,704 and 30 September 2019: KD 13,883,531) are managed by a related party (Note 9).

As at 30 September 2020, investment securities amounting to KD 12,409,588 (31 December 2019: KD 15,101,256 and 30 September 2019: KD 14,854,862) are in related party entities (Note 9).

6 CASH AND CASH EQUIVALENTS

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

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Cash	2,813	2,573	3,346
Bank balances	6,433,957	4,261,624	6,728,583
Term deposits	13,536,253	10,000,000	12,000,000
Cash and cash equivalents as per statement of financial position	19,973,023	14,264,197	18,731,929
Term deposits (maturity after 3 months from the placement date)	(13,036,254)	(9,150,000)	(9,150,000)
Cash and cash equivalents as per cash flow statement	6,936,769	5,114,197	9,581,929

Term deposits placed with local banks are denominated in KD and carry an average effective interest rate of 1.41% (31 December 2019: 2.55% and 30 September 2019: 3.145%) per annum.

7 TREASURY SHARES

	<i>30 September</i> <i>2020</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i>	<i>30 September</i> <i>2019</i>
Number of treasury shares	115,747	3,715,747	3,715,747
Percentage of ownership	0.03%	0.92%	0.92%
Market value (KD)	12,810	464,468	438,458

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

8 CONTINGENCIES AND COMMITMENTS

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Letters of guarantee	8,314,573	6,107,876	6,053,807
Capital commitments	276,802	512,702	545,313

As at the reporting date, the management of the Parent Company does not anticipate any material liabilities to arise from these letters of guarantee.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

9 RELATED PARTY TRANSACTIONS

These represents transactions with major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management and board of directors.

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>Nine months ended 30 September</i>					
	<i>Entities under common control KD</i>	<i>Major Shareholder KD</i>	<i>2020 Total KD</i>	<i>Entities under common control KD</i>	<i>Major shareholder KD</i>	<i>2019 Total KD</i>
Cost of sales	-	75,642,634	75,642,634	-	107,840,327	107,840,327
Operating expenses	40,378	-	40,378	347,447	-	347,447
Administrative expenses	509,477	-	509,477	626,515	-	626,515

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	<i>30 September</i>			<i>(Audited) 31 December</i>			<i>30 September</i>		
	<i>Entities under common control KD</i>	<i>Major shareholder KD</i>	<i>2020 Total KD</i>	<i>Entities under common control KD</i>	<i>Major shareholder KD</i>	<i>2019 Total KD</i>	<i>Entities under common control KD</i>	<i>Major Shareholder KD</i>	<i>2019 Total KD</i>
Accounts receivable and prepayments*	118,662	-	118,662	126,762	-	126,762	14,854,862	-	14,854,862
Accounts payable and accruals*	11,733,455	-	11,733,455	12,814,174	-	12,814,174	180,613	-	180,613
Investment securities (Note 5)	12,409,588	-	12,409,588	15,101,256	-	15,101,256	104,001	16,073,656	16,177,657

Investment properties with total amount of KD 3,002,792 (31 December 2019: KD 2,661,473 and 30 September 2019: KD 3,033,141) is registered by the name of a related party, which confirmed in writing that the Group has the beneficial ownership of those properties.

As at 30 September 2020, investment securities amounting to KD 14,231,394 (31 December 2019: KD 16,264,704 and 30 September 2019: KD 13,883,531) are managed by a related party (Note 5).

* Amounts due from/to entities under common control are interest free and due on demand.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

9 RELATED PARTY TRANSACTIONS (continued)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Key management compensation</i>				
Salaries and short-term benefits	96,088	91,590	288,263	274,770
Employees' end of service benefits	8,160	9,868	24,479	23,303
	104,248	101,458	312,742	298,073

10 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- ▶ Fuel marketing and other related services – represents the sale of fuel and other related services arising from fuel stations.
- ▶ Investment operations – represents investment in managed portfolio, short-term money market placements and real estate.

<i>Period ended 30 September 2020</i>	<i>Fuel marketing and other related services</i>	<i>Investment operations</i>	<i>Unallocated</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	85,606,188	924,159	-	86,530,347
Segment results	867,684	924,159	(78,841)	1,713,002
<i>As at 30 September 2020</i>				
Segment assets	48,045,809	40,670,925	-	88,716,734
Segment liabilities	23,507,263	-	1,008,545	24,515,808
<i>Period ended 30 September 2019</i>	<i>Fuel marketing and other related services</i>	<i>Investment operations</i>	<i>Unallocated</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	119,710,512	1,496,367	-	121,206,879
Segment results	1,794,656	1,496,367	(144,805)	3,146,218
<i>As at 30 September 2019</i>				
Segment assets	48,330,291	39,126,035	-	87,456,326
Segment liabilities	23,155,922	-	951,057	24,106,979

11 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly of the Parent Company for the year ended 31 December 2019 was held on 27 April of 2020. Accordingly, the consolidated financial statements for the year ended 31 December 2019 have been approved by the shareholders of the Parent Company.

The shareholders at the Ordinary Annual General Assembly did not approve the distribution of dividend for the year ended 31 December 2019 (2018: distribute cash dividend of 5 fils).

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

12 FAIR VALUES OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

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

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 30 September 2020, 31 December 2019 and 30 September 2019:

	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
30 September 2020			
<i>Investment securities:</i>			
Managed portfolio (local quoted equity securities)	10,511,985	-	10,511,985
Local unquoted securities	-	1,124,062	1,124,062
Managed portfolio (local unquoted equity securities)	-	11,020,560	11,020,560
	10,511,985	12,144,622	22,656,607
31 December 2019			
<i>Investment securities:</i>			
Managed portfolio (local quoted equity securities)	18,915,954	-	18,915,954
Local unquoted securities	-	3,676,937	3,676,937
Managed portfolio (local unquoted equity securities)	-	11,668,651	11,668,651
	18,915,954	15,345,588	34,261,542
30 September 2019			
<i>Investment securities:</i>			
Managed portfolio (local quoted equity securities)	8,842,561	-	8,842,561
Local unquoted securities	-	3,676,936	3,676,936
Managed portfolio (local unquoted equity securities)	-	10,086,965	10,086,965
	8,842,561	13,763,901	22,606,462

There were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

12 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets which are recorded at fair value.

	<i>As at 1 January 2020 KD</i>	<i>Loss recorded in other comprehensive income KD</i>	<i>Net sales and settlements KD</i>	<i>As at 30 September 2020 KD</i>
30 September 2020				
<i>Investment securities:</i>				
Local unquoted securities	3,676,937	(2,547,875)	(5,000)	1,124,062
Managed portfolio (local unquoted equity securities)	11,668,651	1,508,136	(2,156,227)	11,020,560
	<u>15,345,588</u>	<u>(1,039,739)</u>	<u>(2,161,227)</u>	<u>12,144,622</u>
	<i>As at 1 January 2019 KD</i>	<i>Loss recorded in other comprehensive income KD</i>	<i>Net purchases KD</i>	<i>As at 31 December 2019 KD</i>
31 December 2019				
<i>Investment securities:</i>				
Local unquoted securities	3,789,343	(112,406)	-	3,676,937
Managed portfolio (local unquoted equity securities)	14,187,550	(3,381,987)	863,088	11,668,651
	<u>17,976,893</u>	<u>(3,494,393)</u>	<u>863,088</u>	<u>15,345,588</u>
	<i>As at 1 January 2019 KD</i>	<i>Loss recorded in other comprehensive income KD</i>	<i>Net purchases KD</i>	<i>As at 30 September 2019 KD</i>
30 September 2019				
<i>Investment securities:</i>				
Local unquoted securities	3,789,343	(112,407)	-	3,676,936
Managed portfolio (local unquoted equity securities)	14,187,550	(4,718,704)	618,119	10,086,965
	<u>17,976,893</u>	<u>(4,831,111)</u>	<u>618,119</u>	<u>13,763,901</u>

The Group has performed a sensitivity analysis to the range of significant unobservable inputs used in the fair value measurements during the period. Based on such analysis, there is no material impact on the interim condensed financial information.

Set out below are the significant unobservable inputs to valuation of the non-listed equity investments as at 30 September 2020:

Significant unobservable valuation inputs	Range	Sensitivity of the input to fair value
Sector PBV multiple	0.66-4.04 (1.403)	2% increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD 216,349
Discount for lack of marketability (DLOM)	20%	2% increase (decrease) in the discount would decrease (increase) the fair value by KD 241,617.

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

13 GOVERNMENT GRANT

In an attempt to mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the period, the Parent Company has received financial support amounting to KD 274,689, which is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and is recognised in profit or loss within 'other income'.

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