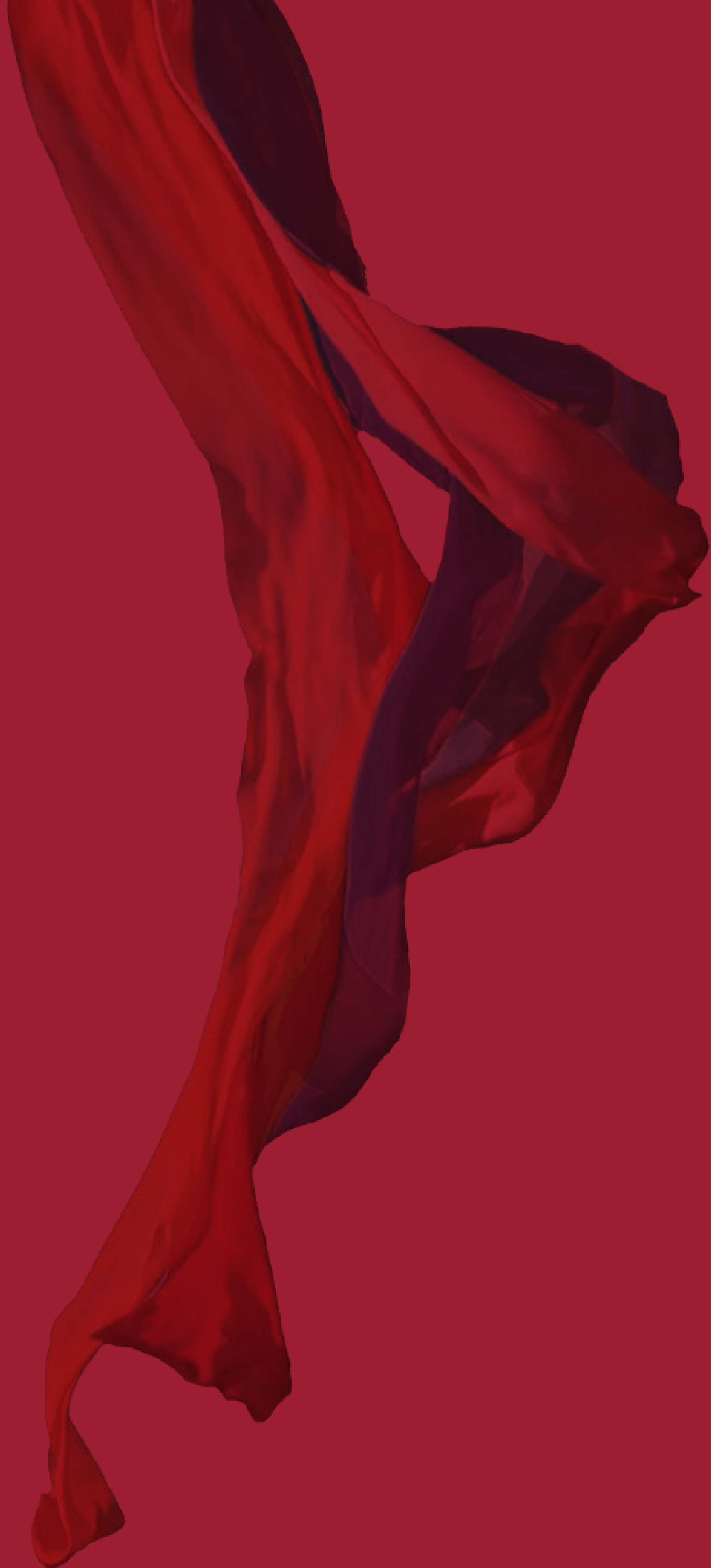
AL SOOR FUEL MARKETING COMPANY K.S.C.
ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
31st DECEMBER 2009

السور SOOR

شـركـة السـور لتـسـويـق الوقــود ش.م.ك
Soor Fuel Marketing Company S.A.K

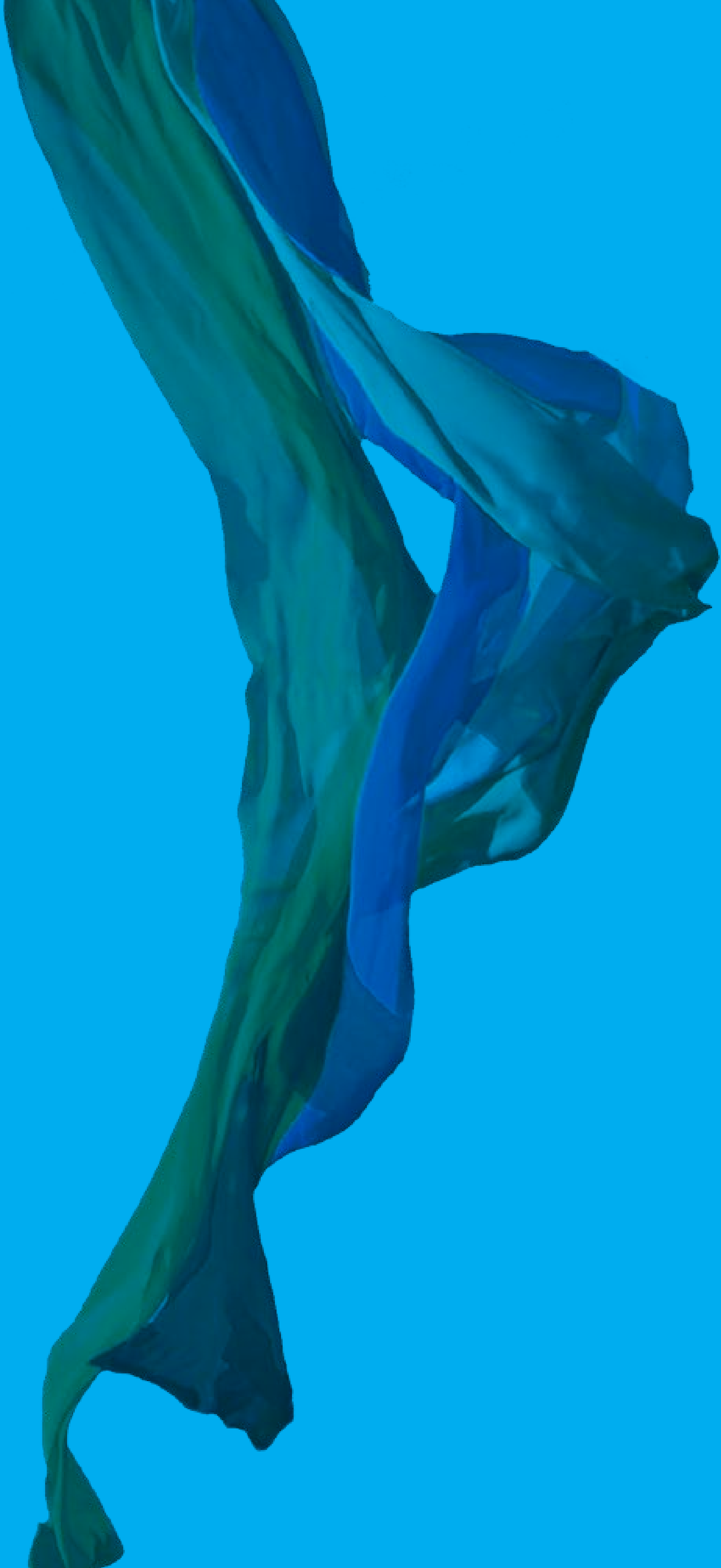
ALFA

Customer Service 1841010
www.soor.com.kw

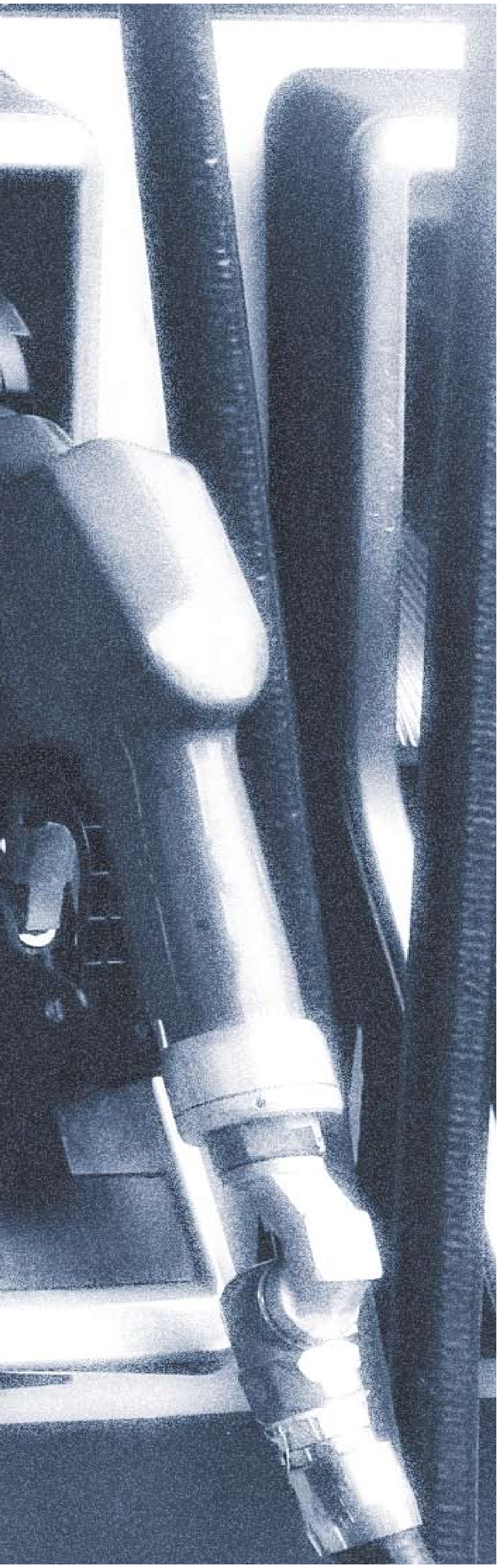


His Highness
Sheikh Sabah Al-Ahmed Al Jaber Al Sabah
Amir of State of Kuwait

His Highness
Sheikh Nawaf Al Ahmed Al Jaber Al Sabah
Crown Prince



CONTENTS



AL SOOR CORPORATE PROFILE:

Company's Title	: Al-So0r Fuel Marketing Co (K. S. C.)
Commercial Registry & Date	: 113393, dated 9/4/2006
Paid-up Capital	: KD29,982,987
Shares Issued & Subscribed	: 299,829,870 shares.
Number of Shares Authorized	: 300,000,000 shares
Headqarters	: State of Kuwait – Qibla Mubarkiyya – Ben Sabt Square
P.O.Box	: 28396 – Safat: 13144 – Kuwait

Al-Soor Fuel Marketing Co (K. S. C.) was incorporated under the Amiri Decree No (297) of 2005, issued on 22/11/2005 as a Kuwaiti public shareholding company.

The business activities of the company include acquisition, construction, leasing, operation and maintenance of the petrol filling stations. The company also constructs, develops, operates and maintains customer's service centers at these stations. These centers provides all services related to cars and vehicles such as change of oils, car wash, maintenance services, repair and technical testing of vehicles and supermarket services.

The company provides other services such as petrol filling, storage, transfer, leasing and trading in petrol products and manufactured materials whether wholesale or retail.

The company also purchases, leases, acquires and sells lands and real estates in the various locations.

The company can perform such business in the state of Kuwait and abroad. The company may have interests or participate in any manner with any institutions which practices its business or that may cooperate with it to achieve its purposes in Kuwait or abroad.
It can establish, participates or buys such institutions or have them as affiliates.

OUR VISION AND COMMITMENT

We Are Committed To Provide The Best Services

since our establishment, we focus on compliance with the international quality standards and the transparency principles as being our strategic option in doing our business in addition to our compliance with the world standards. this can be achieved through providing innovative products and services in the fuel marketing station sector and through fuel distribution.
the company provides services to its community and respects the social values.

Innovative Vision

al-soor fuel marketing co endeavors to be one of the pioneer companies in its field of business. this vision is translated into real facts through working with strategic allies, participations and acquisitions with the objective of providing various solutions and options in the field of oil marketing and related services. the company is doing its best to fulfill the customers' expectations and meet their requirements. it continues to achieve growth in the revenues and expands its business in more geographic areas.

Our Values At Work

leadership and excellence:
at al-soor fuel marketing co, we endeavor to be one of the leading companies in our field and at the market level. we have to set an example for excellence in all what we do in our services, products or works.

Confidence and Neutrality:
We endeavor to build a long term relationship with our customers, partners, staff and the society we are working for. Our relationship is based upon respect and confidence. It depends upon neutrality and equal-footing.

Growth and Performance:
We are willing to seize the opportunities which are appropriate to our partners and shareholders in order to achieve rewarding returns on our investments. We would like to grant our team the opportunity of progress to cope with the developments which are witnessed by the company.

Obligation and Sincerity:
We endeavor to achieve our objectives and provide appropriate and professional work environment to develop the capabilities of our work team.

Responsibility and Community Respect:
We respect our community through respecting our environment and society.

BOARD OF DIRECTORS

Talal Ahmed Al-Khars
Chairman

Dawood Yousef Mehsein
Vice Chairman

Ahmed Hussein Taqi
Managing Director

Hashem S. A. Hashem
Board Member

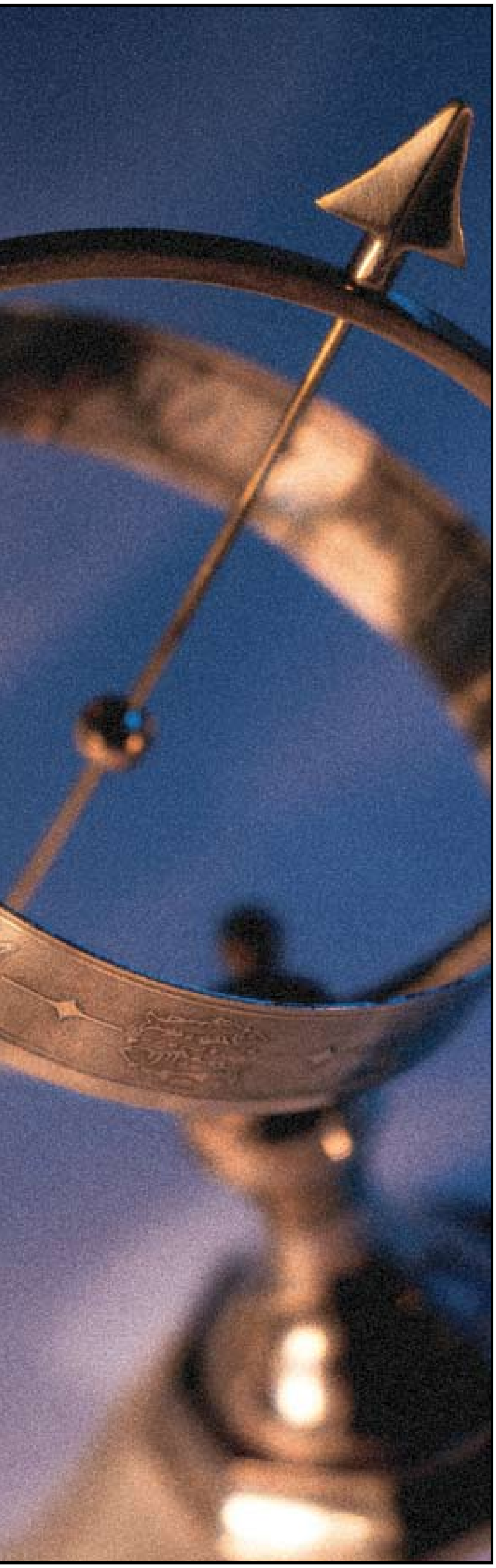
Jaber Ahmed Husain
Board Member

Essa I. Al-Moosa
Board Member

Tareef Mohammed Al-Awadi
Board Member

Saleh Fahad M.A. Al-Wahib
Board Member

Wafaa Yousef Al-Zaabi
Board Member



MANAGEMENT REPORT

Dear Shareholders,

On behalf of myself and the members of the Board of Directors, I have the pleasure to present to you the annual report of Al-Soor Fuel Marketing Co (K. S. C.) for the financial year ending 31 December 2008.

Al-Soor Fuel Marketing Co (K. S. C.) succeeded in imposing itself as a major player in the distribution and marketing of fuel in the State of Kuwait. It approved an ambitious plan for expansion on the local level. The company also finalized the new designs of its fuel stations which will operate under a new logo and identity which will be the base of a new campaign of a distinguished trademark.

The company has achieved a net profit of KD3.3 million out of its total sales estimated at KD 72.3 million during 2008, compared to KD3.1 million profits for the same period ended 31 December 2007. The earning per share increases from 10.40 Fils (during 2007) to 11.21 Fils during 2008 with a remarkable growth during the 12 month period only. At the same time, the shareholders' equity increased by 4.2% to be in the amount of KD36 million during 2008 compared to KD34.06 during 2007.

The most important issue of the company was the listing in Kuwait Stock Exchange during on 30 June 2008. After this listing the shareholders can freely trade in their shares in Kuwait Stock Exchange. The investors can also invest in this promising company and help in developing it.

This important development was accompanied by the company's success in increasing its market share from 1107 million liter in 2007 to 1150 million liter during 2008 with 3.9% increase. The increase of the company's profits and its market share reflect the company's ability to recruit new customers and enhance its relationship with the existing customers who come on top of its priority and interests.

Therefore, Al-Soor Fuel Marketing Co (K. S. C.) had launched an ambitious plan to develop its filling stations, its infrastructure and updating the infrastructure with the help of the specialized world consultations offices in this regard. The company will provide new services in the area available in the petrol stations to increase its revenues. It will establish mini-markets to provide the customers with their needs. Also facilities for car wash and fast food restaurants will be established.

The company will develop its automated systems at the filling stations and the main office to use the state-of-the-art technology. This will upgrade the systems to be suitable to provide efficient services for customers.

Al Soor Fuel Marketing Company (K. S. C.) is doing its best to minimize the operating and administrative costs without being affected by the quality and level of services. In order to achieve this objective, innovated solutions were made to reduce the administrative and operating costs. The company endeavors to achieve more efficiency in all its petrol stations through applying new methodology in the management style of the petrol stations.

The company also improves the business methods in the various administrative aspects. Year 2009 will be the year of change. The methodology approved by the company in the performance of its business, the distinguished «appearance», the various services provided by the company in addition to its expansion plan will contribute in establishing the position of the company and enhance the returns for the shareholders.

The officials of Al-Soor Fuel Marketing would like to seize this opportunity to extend their thanks to all persons who contributed in the achievement of this success witnessed by the company over the financial year 2008.

We would like to seize this opportunity to extend our sincere thanks and gratitude to His Royal Highness Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, for his wise leadership of the State of Kuwait and his efforts to provide the appropriate economic climate.

We would like also to express our thanks to Kuwait Petroleum Corporation, Kuwait Oil Company, Kuwait National Petroleum Company, Ministry of Oil and Ministry of Finance for their continuous assistance, advice and cooperation.

We would like also to present our thanks to the Environment Public Authority and Kuwait Fire Service Department.

Finally, I would like to thank our sincere staff, without their efforts we would reach that level of success. We appreciate their contribution and continuous commitment in our expansion plans.
We appreciate their enthusiasm and strenuous efforts which lead to the development of the growth opportunities for our company.

At the end, I would like to extend my thanks to the shareholders for their trust and support. I would like also to thank our staff for their sincere efforts and for their achievements. The studies and future plans of the company help protecting the family from the effects of the world financial and economic crisis and gave the company the momentum to go ahead with its commercial and expansion plans.

Talal Ahmed Al-Khars
The Chairman of the Board

ACHIEVEMENTS OF AL-SOOR CO

Al Soor Fuel Marketing Co has succeeded in the achievement of its strategic objectives for the financial year ended in 2009. The company was able to achieve a growth in its profits over 50% during the previous year.

With the inception of the world financial crisis at the end of 2008 and its continuous effects during 2009, Al-Soor Company had re-structured some of its major sectors and decreased the operating budget to increase the operational efficiency of the company.

- The company has taken actual steps to improve its operational performance and reduce the costs such as the quality management of the operations of the filling stations. This step has resulted in a saving of KD600 thousand per year. The company has adopted the services system instead of the manpower recruitment system which was followed in the previous years. SAB and Wincor systems were operated in all the company's stations and the head office building. All the company's activities were automated and all the filling stations adopted the comprehensive service approach.

- Al-Soor Fuel Marketing Company succeeded in the continuous training of the second line staff for the management of the station. The company has increased the national manpower percentage during 2009 to reach 75% of the total manpower employed by the company and to be in line with the governmental policies and regulations to encourage the Kuwaiti youth to wok for the private sector.

Products Development:

- The company has launched a new logo and identity (Alpha), which will be the new trademark of all the fuel filling stations.

- In line with this, Al-Soor developed its various products to increase its operational revenues. The number of stations which sell Ultra product (Octane 98) was increased to 16 fuel stations. The company is going to increase this number during the current year 2010. The company also provides oil change services in all its stations through signing a contract with a specialized company. Furthermore, the company had launched the fuel filling cards (Alpha Plus) in the local market with its pre-paid and post-paid types with a mechanism that allows the customer to follow up the transactions via the company website.

- The company had signed an exclusive agreement with the French Total Co for launching a new product (Petrol Treatment) at Al-Soor Fuel Stations that is co-branded with the logos of the two companies. This product improves the performance of car motors and its efficiency. This will have a great effect in attracting the customers to use the fuel additives sold by the company.

- For effective communication, the company has linked all its ground stations with Satellite System to ensure continuous communication in case of interruption of the ground service telephone lines. The company also had launched its call center for inquiry about all services provided by the company. The site is working for 24 hours a day. The company will implement also the system for the operation and planning of the company resources SAP/ERP at all sectors of the company.

- The company also provides external services such as the maintenance of the stations of the Ministry of Interior. Also, a feasibility economic study was conducted for attracting the special offers regarding the establishment of integrated centers for the car wash and polishing in Mansouriyya and Al-Jahra as the first step.

OBJECTIVES AND FUTURE PLANS

- The management of Al-Soor Company is currently considering the use of the most advanced technology systems (RFID) for identifying machinery and vehicles and their needs of oil.

- The company is in the process of starting the construction works for Aqeela station, then Salmi and Maseela stations once it completes the administrative and governmental measures. Therefore the expected revenues of the company during the current and future years in general will increase. The company has also started the construction of 116 Filling Station, west of Hadiyya. It also started the construction works of Al-Shaab Amusement Park 48 to provide the services of mini markets.

- Also, the company has started the project of Fuel Supply Pumps. These pumps have 6 fuel suppliers. The objective of the project is to replace the old worn out pumps and install new pumps that use three products. The company also upgrades and develops the stations.

- Continue to develop the automated systems and establishment of new systems to enhance the services provided by the company and cope with the international developments.

- Provide new products and services at competitive prices.

- Strengthen the relationship with the customers of the company through loyalty scheme, which makes the company the first option for the customers.

- Participation in the local and international conferences, visiting the international exhibitions to know all the new advances in the field of modern and developed filling stations for enhancing the company's capabilities technically and administratively.

A WORD OF THANKS

Soor Fuel Marketing Company extend sincere thanks and appreciation to all those who contributed to the success of the company during the fiscal year 2009.

On this occasion, we present our deepest gratitude to His Highness Sheikh Sabah Al-Ahmed Al Jaber Al Sabah Amir of State of Kuwait, for his wise leadership of the State of Kuwait, and his Kind support our local economy to activate the wheel of development and development.

We would also like to extend our thanks and gratitude for each of the Kuwait Petroleum Corporation, Kuwait Oil Company and Kuwait National Petroleum Company and also to the Ministry of Oil and Ministry of Finance, for all their help to us from a dignified and continuous advice. And we especially thank the General Authority for Environment, General Directorate of Fire in Kuwait.

Soor Fuel Marketing Company extends great thanks to all workers and their concern and their fulfillment of a lasting and hard work to accede The Company and them of what we got from the achievements during the past year.

This success is through their commitment and cooperation among themselves and with the company, and with them the company will continues progressing, Growing and spreading.

All thanks and appreciation for your efforts and your continued support, we grow and evolve with you and by you ...

Soor Fuel Marketing Company

INDEPENDENT AUDITORS' REPORT TO SHAREHOLDERS

Report on the Financial Statements

Introduction

We have audited the accompanying financial statements of Al Soor Fuel Marketing Company K.S.C.("the Company") which comprise the statement of financial position as of 31 December 2009, and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT TO SHAREHOLDERS (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Company and the financial statements, together with the contents of the report of the Board of Directors relating to these financial statements, are in accordance therewith. We further report that we have obtained all the information and explanations that we required for the purpose of our audit, and that the financial statements incorporate all information that is required by Commercial Companies Law of 1960, as amended, and by the Company's Articles of Association, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no material violations of the Commercial Companies Law of 1960, as amended, or of the Articles of Association have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the Company or on its financial position, except that the Company holds certain investments in violation of the permitted objectives as per its Articles of Association.

Bader A. Al Wazzan	Jassim Ahmad Al-Fahad
Licence No. 62A	License No. 53-A
PricewaterhouseCoopers	Al-Fahad & Co. Deloitte & Touche

Kuwait
18 March 2010

(All amounts are in K.D.)

STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2009

	Notes	31 December 2009	31 December 2008
ASSETS			
Current assets			
Cash and cash equivalents	3	1,937,312	5,531,867
Fixed deposits	4	18,250,000	17,165,611
Accounts receivable and prepayments	5	2,570,619	2,266,306
Investments at fair value through profit or loss	6	2,139,107	-
Inventory	7	313,655	303,650
		25,210,693	25,267,434
Non-current assets			
Investments available for sale	8	897,750	2,677,479
Advance payment	9	1,500,000	-
Property and equipment	10	17,408,844	17,938,304
Intangible assets	11	1,880,134	1,782,265
		21,686,728	22,398,048
Total assets		46,897,421	47,665,482
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accruals	12	8,494,447	9,275,449
Current portion of deferred payment liability	13	-	2,232,884
		8,494,447	11,508,333
Non-current liabilities			
Provision for staff indemnity		114,555	76,893
		114,555	76,893
Total liabilities		8,609,002	11,585,226
Equity			
Share capital	14	29,982,987	29,982,987
Statutory reserve	14	1,199,643	684,507
Voluntary reserve	14	1,199,643	684,507
Fair value reserve		-	(382,521)
Retained earnings		5,906,146	5,110,776
Total equity		38,288,419	36,080,256
Total liabilities and equity		46,897,421	47,665,482

The accompanying notes set out on pages 25 to 40 form an integral part of these financial statements.

Talal Al Khars
Chairman

Ahmad Taqi
Managing Director

(All amounts are in K.D.)

STATEMENT OF INCOME – YEAR ENDED 31 DECEMBER 2009

	Notes	2009	2008
Sales		80,327,701	72,367,436
Cost of sales		(69,924,251)	(63,029,190)
Operating expenses	15	(3,849,099)	(4,835,972)
Gross profit		6,554,351	4,502,274
General and administrative expenses	16	(2,797,829)	(2,663,939)
Unrealised losses on investments at fair value through profit or loss	6	(14,206)	-
Realised gain on investments at fair value through profit or loss	6	397,646	-
Realised loss on sale of investments available for sale	8	(663,834)	-
Other income		847,261	776,395
Interest income		897,845	1,397,278
Finance costs		(69,871)	(391,917)
Profit before Directors' fees, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax and Zakat		5,151,363	3,620,091
Directors' fees	17	(100,000)	(100,000)
Provision for contribution to KFAS	18	(46,362)	(32,581)
Provision for contribution to National Labour Support tax	18	(129,726)	(90,502)
Zakat	18	(51,335)	(36,201)
Net profit for the year		4,823,940	3,360,807
Earnings per share – Basic and diluted (fils)	19	16.09	11.21

The accompanying notes set out on pages 25 to 40 form an integral part of these financial statements.

(All amounts are in K.D.)

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2009

	2009	2008
Net profit for the year	4,823,940	3,360,807
Other comprehensive income		
Net unrealized losses on available for sale investments	(281,313)	(1,892,010)
Transferred to statement of income on sale of investments available for sale	663,834	-
Other comprehensive income/ (expenses) for the year	382,521	(1,892,010)
Total comprehensive income for the year	5,206,461	1,468,797

The accompanying notes set out on pages 25 to 40 form an integral part of these financial statements.

(All amounts are in K.D.)

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED 31 DECEMBER 2009

	Share capital	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings	Total
Balance as at 1 January 2009	29,982,987	684,507	684,507	(382,521)	5,110,776	36,080,256
Cash dividend – Note 14	-	-	-	-	(2,998,298)	(2,998,298)
Total comprehensive income for the year	-	-	-	382,521	4,823,940	5,206,461
Transfer to reserves	-	515,136	515,136	-	(1,030,272)	-
Balance at 31 December 2009	29,982,987	1,199,643	1,199,643	-	5,906,146	38,288,419
Balance as at 1 January 2008	29,982,987	322,498	322,498	1,509,489	2,473,987	34,611,459
Total comprehensive (expense)/ income for the year	-	-	-	(1,892,010)	3,360,807	1,468,797
Transfer to reserves	-	362,009	362,009	-	(724,018)	-
Balance at 31 December 2008	29,982,987	684,507	684,507	(382,521)	5,110,776	36,080,256

The accompanying notes set out on pages 25 to 40 form an integral part of these financial statements.

(All amounts are in K.D.)

STATEMENT OF CASH FLOWS – YEAR ENDED 31 DECEMBER 2009

	Notes	2009	2008
OPERATING ACTIVITIES			
Net profit for the year		4,823,940	3,360,807
Adjustments for:			
Depreciation and amortisation	10 &11	939,891	2,151,793
Unrealised losses on investments at fair value through profit or loss	6	14,206	-
Realised gain on investments at fair value through profit or loss	6	(397,646)	-
Realised loss on sale of investments available for sale	8	663,834	-
Interest income		(897,845)	(1,397,278)
Finance costs		69,871	391,917
		5,216,251	4,507,239
Decrease in accounts receivable and prepayments		24,081	554,871
(Increase)/ decrease in inventory		(10,005)	13,121
Decrease in accounts payable and accruals		(1,108,268)	(4,973,032)
Increase in staff indemnity		37,662	30,572
Net cash from operating activities		4,159,721	132,771
INVESTING ACTIVITIES			
Purchase of investments at fair value through profit or loss		(2,466,021)	-
Proceeds from sale of investments at fair value through profit or loss		710,354	-
Purchase of investments available for sale		(897,750)	-
Proceeds from sale of investments available for sale		2,396,166	-
Advance payment		(1,500,000)	-
Purchase of property plant and equipment	10	(338,800)	(283,750)
Purchase of intangible asset	11	(169,500)	-
(Investment in)/ maturity of fixed deposits		(1,084,389)	834,389
Interest income received		569,451	825,078
Net cash (used in)/ from investing activities		(2,780,489)	1,375,717
FINANCING ACTIVITIES			
Finance costs paid		(69,871)	(391,917)
Payment of deferred payment liability		(2,232,884)	-
Dividend paid		(2,671,032)	-
Net cash used in financing activities		(4,973,787)	(391,917)
Net (decrease)/ increase in cash and cash equivalents		(3,594,555)	1,116,571
Cash and cash equivalents at beginning of the year		5,531,867	4,415,296
Cash and cash equivalents at end of the year	3	1,937,312	5,531,867

The accompanying notes set out on pages 25 to 40 form an integral part of these financial statements.

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

1. INCORPORATION AND ACTIVITIES

Al Soor Fuel Marketing Company K.S.C. ("the Company") is a Kuwaiti shareholding company incorporated on 20 March 2006 under the Commercial Companies Law No. 15 of 1960 and amendments thereto and commenced its operations on 9 May 2006.

The principle activities of the Company are to own, possess, construct, rent, operate and maintain fuel stations, in addition to the construction, development, operation and maintenance of customer service centers in such stations. It may provide in these centers all the services including oil change, car wash, maintenance, repair and technical check-up workshop services for vehicles and equipments and central markets services.

The Company also performs works of filling, storage, transportation and trade of petroleum products by purchasing, retail or wholesale. Also, the Company's objectives include purchase, rent, possession and sale of land and real estate properties in various sites.

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

The company was listed in the Kuwait Stock Exchange on 30 June 2008.

These financial statements have been approved for issue by the Board of Directors on 18 March 2010 and are subject to the approval of shareholders at the forthcoming annual general meeting.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards

– IFRS (International Accounting Standards issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee) under the historical cost basis of measurement as modified by the revaluation of financial instruments held "at fair value through profit or loss" and "available for sale" investments. The accounting policies are consistent with those used in the previous year except for the adoption of the following amended standards effective for annual periods beginning on or after 1 January 2009:

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard separates owner and non-owner changes in shareholders' equity. The statement of changes in shareholders' equity includes only details of transactions with owners, with non-owner changes in shareholders' equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The company has elected to present two linked statements.

IAS 39 (amendment), 'Financial instruments: Recognition and measurement':

The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Company's financial statements.

IFRS 7 (amendment) 'Financial instruments: Disclosures':

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is required, as well as significant transfers between levels in the fair value hierarchy.

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

IFRS 8 Operating segments

The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. Adoption of this standard did not have any effect on the financial position or performance of the Company.

Accounting Standards and Interpretations issued but not yet effective and not early adopted

IFRS 9 Financial Instruments

The standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2013. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used.

IAS 24 Related Party (Revised)

The revised Standard was issued in November 2009. An entity shall apply this Standard retrospectively for annual periods beginning on or after 1 January 2011. The revised standard simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.
The application of these standards will be made in the financial statements when these standards and interpretations become effective and are not expected to have a material impact on the financial statements of the Company.

2.2 Financial instruments

Classification

The Company classifies its financial instruments as "investments at fair value through profit or loss", "investments available for sale", "loans and receivables" and "financial liabilities other than at fair value through profit or loss". Management determines the appropriate classification at the time of acquisition.

Recognition and de-recognition

The Company recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is de-recognised when the rights to the cash flow from the financial asset expires or, when the Company transfers substantially all the risks and rewards of ownership. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.
A regular way purchase and sale of financial assets are recognized using 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.

Measurement

Financial assets and liabilities are measured initially at fair value. Transaction costs are added only for those financial instruments not measured at fair value through profit or loss.

Investments at fair value through profit or loss

Investments at fair value through profit or loss include investments held for trading and investments designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed and their perfor-

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

mance evaluated on a fair value basis in accordance with the Company's documented investment strategy.
After initial recognition, investments at fair value through profit or loss are carried in the statement of financial position at fair value with all changes in fair value recognised in the statement of income.

Available for sale

Investments available for sale are those non-derivative financial assets that are not classified as investments at fair value through profit or loss or loans and receivables.
After initial recognition, investments available for sale are measured at fair value with unrealised gains and losses recognised as other comprehensive income in a separate component of equity until the investments are derecognised or until the investments are determined to be impaired at which time the cumulative gain and loss previously reported in other comprehensive income is recognised in the statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortized cost using the effective yield method.
Cash and cash equivalents, fixed deposits and accounts receivables are classified as loans and receivables.

Financial liabilities other than at fair value through profit or loss

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortized cost using the effective yield method.
Accounts payables and deferred payment liability are classified as financial liabilities other than at fair value through profit or loss.

Fair values

The fair value of financial instruments traded in recognised financial markets is their quoted market price, based on the closing bid prices. The fair value of investments in mutual funds are based on the last published bid price.
The fair value of unquoted financial instruments is determined by reference to the market value of a similar investment, or the expected discounted cash flows, brokers' quotes, or other appropriate valuation models.
The fair value of financial instruments other than short term financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Impairment

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in statement of income.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in statement of income.

Available for sale financial investments

In the case of financial assets classified as available for sale, a significant or prolonged decline in fair value of assets below its cost is considered in determining whether the assets are impaired. If such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

value, less any impairment loss on that financial asset previously recognised in the statement of income, is removed from other comprehensive income and recognised in the statement of income. Impairment losses on equities available for sale recognised in the statement of income are not reversed through the statement of income.

2.3 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the statement of cash flows.

2.4 Inventories

Inventories are stated at the lower of cost and net realisable value after making allowance for any slow moving and obsolete stocks. Cost comprises the purchase price, import duties, transportation handling, and other direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to working condition for its intended use.
Capital work in progress is carried at cost less impairment losses, if any and transferred to the related asset category when ready for its intended use.
Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis as follows.

	Years
Leasehold property	30
Installations and equipment	1 -15
Furniture and fixtures	1 – 5
Vehicles	1 – 5

The carrying amount of property and equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognized in the statement of income being the difference between the carrying value and the assets recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.
Significant improvements and replacement of assets are capitalized. Gains or losses on the retirement or disposal of assets are included in the statement of income in the period in which they arise.

2.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Company's share of net identifiable assets at the date of acquisition. Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets.
Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.
For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

loss recognised for goodwill is not reversed in a subsequent period.
On disposal of the related identifiable assets, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Licence

License acquired separately are measured at cost on initial recognition. Licence 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 licence over their estimated useful lives (25-30 years).
The carrying amount of licence is reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in the statement of income, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Software

Software acquired separately are 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.

2.7 Provision for staff indemnity

Provision is made for end of service indemnity which is payable on completion of employment. The provision is calculated in accordance with Kuwait Labour Law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of the involuntary termination of staff at the statement of financial position date, on the basis that this computation is a reliable approximation of the present value of this obligation.

2.8 Revenue recognition

Revenue arising from the sale of goods is recognized on delivery of goods to customers and revenue from services are recognised on completion of service.
Interest income is recognised using the effective interest rate method. Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

2.9 Accounting for leases

Where the Company is the lessee

Operating leases

Leases of property and equipment under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over a period of 30 years.

2.10 Foreign currencies

The Company's functional currency is the Kuwaiti Dinar (KD).
Foreign currency transactions are translated into Kuwaiti Dinar at the rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted into Kuwaiti Dinars at the year end rates. Resultant gains and losses are taken to the statement of income.

2.11 Critical accounting judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires manage-

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

ment to make estimates and assumptions that may affect amounts reported in these financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Judgements and estimates that are significant to the financial statements are:

Judgments

Classification of investments

Management has to decide on acquisition of a financial instrument whether it should be classified as carried at fair value through profit or loss or available for sale. In making that judgment the Company considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether they are subsequently measured at cost or at fair value and if the changes in fair value are reported in the statement of income or other comprehensive income.

Impairment of available for sale investments

The Company treats available for sale 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 judgment and involves evaluating factors including industry and market conditions, future cash flows and discount factors.

Sources of estimation uncertainty

Fair values- unquoted equity investments
The valuation techniques for unquoted equity investments such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

Accounts receivable

The Company estimates an allowance for doubtful receivables based on past collection history and expected cash flows from debts that are overdue.

Tangible and intangible assets

The Company estimates useful lives and residual values of tangible assets and intangible assets with definite

useful lives.

Impairment of financial and non financial assets

The Company reviews its financial assets classified as "loans and receivables", available for sale investments and other assets like inventory, property, plant and equipment and intangible assets periodically to assess whether a provision for impairment should be recorded in the 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.

Goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units are determined based on value-in-use calculations. These calculations require the use of estimates and the input factors most sensitive to change have been disclosed in Note 11.

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

3. CASH AND CASH EQUIVALENTS

	2009	2008
Cash on hand	4,544	1,892
Bank balances	1,788,022	1,229,975
Short term deposits	-	4,300,000
Cash in portfolios	144,746	-
	1,937,312	5,531,867

The Company's short-term deposits are placed with local banks and are denominated in local currency. The short-term deposits earned an average interest of 3% for the year ended 31 December 2009 (31 December 2008: 6.125%).

4. FIXED DEPOSITS

Fixed deposits are placed with local banks and financial institutions and carry an effective interest rate of 5% per annum (31 December 2008: 6.75%) and mature after three months from the date of deposit. As at 31 December 2009, fixed deposits of KD 7,150,000 (31 December 2008: KD 7,000,000) was placed with a local financial institution which is a related party.

5. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2009	2008
Trade receivables	1,939,986	1,372,800
Accrued interest income	328,394	406,589
Prepaid expenses	302,239	486,917
	2,570,619	2,266,306

The carrying amounts of the Company's trade receivables are denominated in the functional currency.

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
Quoted shares	1,287,024	-
Unquoted shares	852,083	-
	2,139,107	-

Quoted and unquoted investments comprise of investments in a financial portfolio managed by a specialized investment management company which is a related party. Quoted shares are listed in Kuwait stock exchange. Unquoted shares are carried at fair values estimated by management using various valuation techniques.

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

Unrealised gains/ (losses) are as follows

	2009	2008
Unrealised gains/ (loss)		
Quoted shares	88,961	-
Unquoted shares	(103,167)	-
	(14,206)	-

During the year the company sold some of its quoted shares in the portfolio and realised a gain of KD 397,646 (2008: Nil).

7. INVENTORY

	2009	2008
Premium fuel	96,933	121,671
Super premium fuel	114,882	118,199
Gas oil	25,562	32,622
Kerosene	9,920	14,466
Ultra super premium fuel	29,514	16,692
Spare parts	36,844	-
	313,655	303,650

8. INVESTMENTS AVAILABLE FOR SALE

	2009	2008
Investments in local funds	-	2,677,479
Investment in unquoted shares	897,750	-
	897,750	2,677,479

Investments of KD 897,750 (2008: Nil) are carried at cost, due to lack of an active market or other reliable measure of their fair value. Management is not aware of any further impairment.

Valuation of previously held investments in local funds was done based on valuation provided by the fund manager.

During the year company's investment in local funds was redeemed. The company realised a loss of KD 663,834 (2008: Nil) on redemption.

Available for sale investments are located in the state of Kuwait and denominated in Kuwaiti Dinars.

9. ADVANCE PAYMENT

Advance payment represents amount paid to a related party to acquire shares in an unquoted company.

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

10. PROPERTY AND EQUIPMENT

2009						
	Leasehold property	Installations and equipment	Furniture and fixture	Vehicles	Capital work in progress	Total
Cost						
At 31 December 2008	19,087,811	4,761,204	691,312	29,269	-	24,569,596
Additions	-	43,440	38,483	-	256,877	338,800
At 31 December 2009	19,087,811	4,804,644	729,795	29,269	256,877	24,908,396
Depreciation						
At 31 December 2008	1,696,695	4,761,204	168,238	5,155	-	6,631,292
Charge for the year	636,260	441	225,705	5,854	-	868,260
At 31 December 2009	2,332,955	4,761,645	393,943	11,009	-	7,499,552
Net book value						
At 31 December 2009	16,754,856	42,999	335,852	18,260	256,877	17,408,844

2008						
	Leasehold property	Installa-tions and equipment	Furniture and fix-ture	Vehicles	Capital work in progress	Total
Cost						
At 31 December 2007	19,087,811	4,761,204	428,253	8,578	-	24,285,846
Additions	-	-	263,059	20,691	-	283,750
At 31 December 2008	19,087,811	4,761,204	691,312	29,269		24,569,596
Depreciation						
At 31 December 2007	1,060,435	3,441,510	33,345	1,715	-	4,537,005
Charge for the year	636,260	1,319,694	134,893	3,440	-	2,094,287
At 31 December 2008	1,696,695	4,761,204	168,238	5,155	-	6,631,292
Net book value						
At 31 December 2008	17,391,116	-	523,074	24,114	-	17,938,304

Fuel stations are constructed on land leased from the Government of Kuwait where the lease period is three years and renewable on expiry. Capital work -in- progress represents major renovations and significant improvements being carried out at the petrol stations.

Depreciation charge for the year has been dealt with in the statement of income as follows:

	2009	2008
Cost of sales	6,295	1,323,136
General and administrative expenses	861,965	771,151
	868,260	2,094,287

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

11. INTANGIBLE ASSETS

2009				
	Goodwill	**Licence fees**	**Software**	**Total**
Cost				
At 31 December 2008	210,483	1,725,128	-	1,935,611
Additions	-	-	169,500	169,500
At 31 December 2009	210,483	1,725,128	169,500	2,105,111
Amortisation				
At 31 December 2008	-	153,346	-	153,346
Charges for the year	-	57,506	14,125	71,631
At 31 December 2009	-	210,852	14,125	224,977
Net book value				
At 31 December 2009	210,483	1,514,276	155,375	1,880,134

2008			
	Goodwill	**Licence fees**	**Total**
Cost			
At 31 December 2007	210,483	1,725,128	1,935,611
Additions	-	-	-
At 31 December 2008	210,483	1,725,128	1,935,611
Amortisation			
At 31 December 2007	-	95,840	95,840
Charge for the year	-	57,506	57,506
At 31 December 2008	-	153,346	153,346
Net book value			
At 31 December 2008	210,483	1,571,782	1,782,265

Goodwill represents the excess of cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities of acquired business. Goodwill has been allocated to each gas station as that is the Cash Generating Unit (CGU) which is expected to generate the benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Impairment testing

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on value-in-use calculations.

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

The following table shows the basis used to determine the value to be assigned to key assumptions for the calculation of value-in-use:

Key assumption	Basis used to determine value to be assigned to key assumption
Growth rate	Average market share is expected to be 33.3% since there are only three players in the retail fuel business in Kuwait. New market entrants are not considered Fuel market size is projected to grow at 2% based on historical compounded annual growth rate in gasoline market. Cash flows beyond the five year period have been extrapolated using a steady 1.6% growth rate. This growth rate does not exceed the historical average growth rate of the market in which the CGU operate.
Discount rate	Discount rate of 12.22% is pre-tax and reflects specific risks relating to the relevant CGU.

12. ACCOUNTS PAYABLE AND ACCRUALS

	2009	2008
Kuwait National Petroleum Company KSCC	6,531,715	8,244,202
Trade payables	1,045,187	524,522
Accrued expenses	590,279	506,725
Dividend payable	327,266	-
	8,494,447	9,275,449

13. DEFERRED PAYMENT LIABILITIES

This represented fair value of the total consideration to be paid to KNPC towards acquisition of 40 petrol stations from KNPC on 9 May 2006. The last instalment was due during the current year and was fully settled.

14. EQUITY

Share capital

The authorised share capital of the Company comprises of 300,000,000 authorised and issued shares of 100 fils each. The called-up and paid-up capital as of 31 December 2009 was KD 29,982,987 (31 December 2008: KD 29,982,987).

Dividend

At the shareholders' annual general meeting held on 21 April 2009, the shareholders approved the cash dividend of 10 fils per share (for 2007: nil) for the year ended 31 December 2008.

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

Proposed dividend

The Board of Directors have proposed for the year 2009, a cash dividend of 12 fils per share (for 2008: 10 fils per share on the called capital amounting to KD 2,998,298).

Such dividend if approved shall be payable to the shareholders registered in the Company's records as of the date of next annual general meeting.

Statutory and voluntary reserves

In accordance with the Commercial Companies Law of 1960 and the Company's Articles of Association 10% of the net profit for the year has been appropriated to statutory reserve and 10% to general reserve. The statutory reserve can be utilized only for distribution of a maximum dividend of up to 5% of the capital in years when retained earnings are insufficient for this purpose. There is no restriction on distribution of the voluntary reserve.

15. OPERATING EXPENSES

	2009	2008
Salaries and related costs	2,091,743	1,717,235
Rent expense	737,044	747,609
Maintenance and running costs	386,550	442,674
Freight expenses	418,083	350,149
Depreciation	6,295	1,323,136
Other costs	209,384	255,169
	3,849,099	4,835,972

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Salaries and related costs	879,973	988,451
Bank charges	141,348	200,486
Professional and consultancy fees	390,968	231,045
Rent	240,000	264,570
Advertisement	51,389	48,551
Depreciation and amortisation	933,596	828,657
Others	160,555	102,179
	2,797,829	2,663,939

17. DIRECTORS' FEES

Remuneration to Board of Directors for the current year is KD 100,000 (2008: KD 100,000) and is subject to the approval of the shareholders in the forthcoming annual general meeting.

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

18. KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES, NATIONAL LABOUR SUPPORT TAX AND ZAKAT

These are taxes payable to Kuwait's Ministry of Finance under National Labour Support Law No. 19 of 2000 and Law No. 46 of 2006. KFAS is calculated at 1% of the net profit for the year of the Company after transfer to statutory reserve. NLST is calculated at 2.5% of the net profit for the year of the Company after allowable deductions. Zakat is computed @ 1% of net profit for the Company after allowable deduction.

19. EARNINGS PER SHARE

Earnings per share are computed by dividing profit for the year by the weighted average number of shares outstanding during the year.

The information necessary to calculate earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2009	2008
Profit for the year – Kuwaiti Dinars	4,823,940	3,360,807
	Shares	Shares
Weighted average number of shares outstanding	299,829,870	299,829,870
	Fils	Fils
Basic and diluted earnings per share	16.09	11.21

20. SEGMENT INFORMATION

The Company's operating segments are determined based on the reports reviewed by the chief executive officer for strategic decisions. The Company has only one main operating segment, which is retail trade of petroleum products.

21. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2009, the Company has entered into transactions with related parties for the sale or purchase of goods and services on terms approved by the management. Related party transactions during the period, other than disclosed elsewhere in this financial statements are given below:

	2009	2008
Purchase of fuel	69,897,413	63,064,635

Due to related parties are as follows:

	31 December 2009	31 December 2008
Kuwait National Petroleum Company KSC	6,531,715	13,385,865

Compensation of key management personnel

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

	2009	2008
Salaries and other short term benefits	214,533	220,567
Termination benefits	17,038	224,769
	231,571	445,336

22. FINANCIAL INSTRUMENTS

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.
The fair values of financial instruments carried at amortized cost are not significantly different from their carrying values as they are short term in nature. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values as they are short tem in nature.

The methodologies and assumptions used to determine fair values of financial instruments is described in fair value section of Note 2: Significant Accounting Policies.

During the year the Company adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Quoted securities as disclosed in note 6 are traded in active markets and these are classified as level 1 category investments. The Company's investment in unquoted shares is classified as level 2 as significant assumptions used for valuation of this investment is based on observable market data. The impact on the statement of financial position or the shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5 per cent.

Financial risk factors

The Company's use of financial instruments exposes it to a variety of financial risks such as credit risk, market risk, liquidity risk. The Company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by a steering committee comprising of senior management and headed by the Chairman. The committee identifies and evaluates financial risks in close co-operation with the operating units and provides principles for overall risk management, as well as covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The significant risks that the Company

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

is exposed to are discussed below:

(a) Market risk

Market risk, comprising of foreign exchange risk, interest rate risk and equity price risk arises due to movements in foreign currency rates interest rates and market prices of assets.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company is not exposed to foreign exchange risk as there is no significant foreign currency denominated asset or liabilities as on the statement of financial position date.

(ii) Interest rate risk

Interest rate risk arises from the risk that future cash flows or fair values of a financial instrument will fluctuate because of changes in market interest rates.
As the company's interest bearing assets are deposits with banks mostly at fixed rates over the contractual term, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The company does not have any significant interest bearing liabilities.
The Company's overall interest rate risks are monitored and interest rate sensitivity is measured on a daily basis by the risk management team.

(iii) Equity price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the statement of financial position as "investments at fair value through profit or loss" or "available for sale investments". To manage the equity price risk arising from investments in equity securities, the Company has set limits on the investment of surplus funds in equity investments.

The effect on statement of income and on equity (as a result of a change in the fair value of available for sale equity investments and investments at fair value through profit or loss), as at 31 December 2009, due to a 10 per cent change in Kuwait Index, with all other variables held constant is as follows:

	Effect in KD			
	2009		2008	
	Net profit	Equity	Net profit	Equity
Kuwait Stock Exchange	82,885	-	-	267,748

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Company to credit risk, consist principally of fixed and short notice bank deposits, fixed deposits with related parties and trade receivables. The Company manages this risk by placing fixed and short term deposits with high credit rating financial institutions. Credit risk with respect to receivables is limited due to the fact that transactions are with reputed customers and related parties. The Company has a well defined policy to reduce credit risk by assigning counter party limits and ensuring that a due diligence is carried out before approving credits to customers.

(All amounts are in K.D.)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

The Company considers its maximum exposure to credit risk to be as follows:

	2009	2008
Cash and cash equivalents	1,932,768	5,529,975
Fixed deposits	18,250,000	17,165,611
Accounts receivable	2,268,380	1,779,389
Advance payment	1,500,000	-
	23,951,148	24,474,975

As at 31 December 2009 none of the above assets were past due or impaired.
The Company does not hold any collateral as security.

(c) Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its funding requirements. Liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

All the financial liabilities are due within one year.

23. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

24. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has the following contingent liabilities:

	31 December 2009	31 December 2008
Letters of guarantee	5,274,495	7,563,037

25. COMPARATIVE FIGURES

Certain prior year comparatives have been regrouped or reclassified wherever necessary to conform to the presentation in the current year. Such reclassifications do not impact previously reported net profit or equity.