Annual Report 2011

شركة السور لتسويق الوقود ش.م.ب.

Soor Fuel Marketing Company s.c.k.

www.soor.com.kw

His Highness

Sheikh Nawaf Al-Ahmed Al Jaber Al Sabah

Crown Prince

His Highness

Sheikh Sabah Al-Ahmed Al Jaber Al Sabah

Prince of State of Kuwait


Premium
91
Super
95
Ultra
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ALFA

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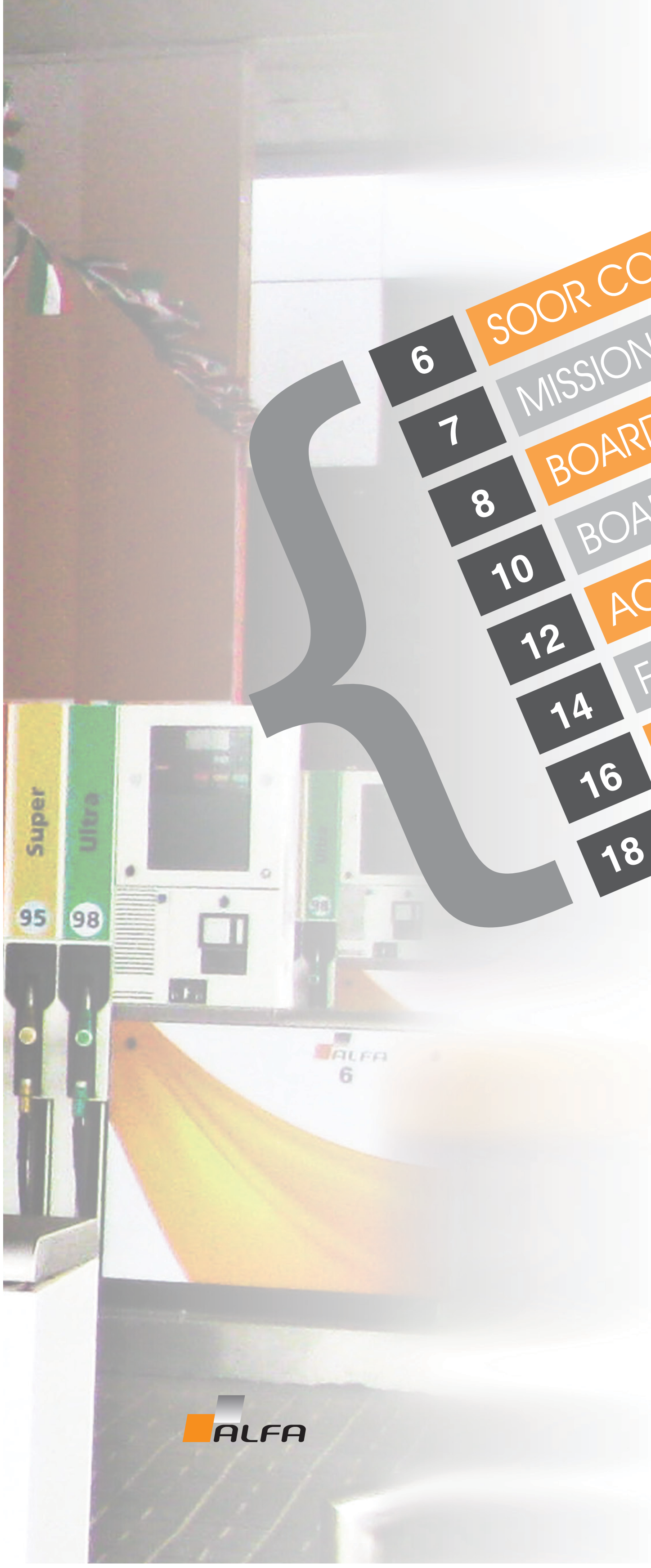


ALFA

SOOR CORPORATE PROFILE

- **Company's Title : SOOR Fuel Marketing Co (K. S. C.)**
- **Commercial Registry & Date : 113393, dated 9/4/2006**
- **Paid-up Capital : KD32,981,285.400**
- **Shares Issued & Subscribed : 329,812,854 shares.**
- **Headqarters : State of Kuwait – Qibla**
- **Mubarkiyya – Ben Sabt Square, P.O.Box : 28396 – Safat: 13144 – Kuwait**

Soor Fuel Marketing Co (K. S. C.) was incorporated under the Amiri Deccree 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 MISSION AND VISION

We Are Committed To:

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

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 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

Ahmed Hussain Taqi
Vice Chairman and
Managing Director

Isa Ebrahim Al-Moosa
Board Member

Jaber Ahmed Hussain
Board Member

Hashem Al-Hashim
Board Member

Wafaa Yousef Al-Zaabi
Board Member

Saleh Fahad Al-Wahib
Board Member

Tareef Al-Awadi
Board Member

Mishaal Al-Omar
Board Member

BOARD OF DIRECTOR REPORT

Dear M/s Shareholders

I and fellow members of the boards are pleased to extend our sincere and warm greetings to all staff of the company to submit The fifth report of Soor fuel marketing Co. for the financial year ended as of 31.12.2011

During 2011 the company implemented many plans to reach its desired objectives in improving performance, improving service quality level relating to fuel marketing inside the State of Kuwait. One of the top achievements was COP certificate awarded by Kuwait National Petroleum Company related to safety, health and environment. In addition the company is ISO 9001-14001-18001 certified in relation to safety, health and environment which uplift's the work standards in the company and fueling station operations to international level of similar industry.

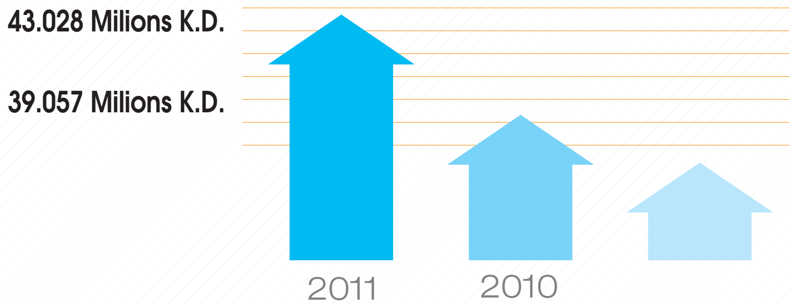
On the other hand the company obtained a certificate from Tukhym Co., fuel pump manufacturer, stating that Soor Fuel Marketing Co. is appointed as their representatives to perform maintenance related works in the state of Kuwait in addition to implementing projects to supply and installation fuel pumps.

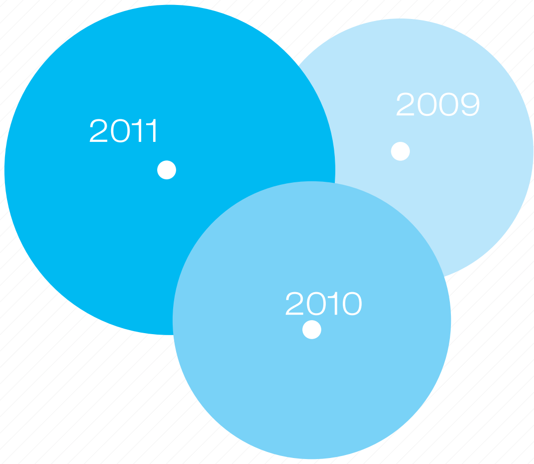
In addition to Providing Quality Services to its client's, the executive management in the company strives in its best efforts to procure latest fueling technologies. The company continually conducts experimentation to improve ALFA Fast Fill or Wireless payment solutions which include convenience in fueling authorization without the need to carry traditional payment methods such as plastic cards or credit cards or cash. Soor Fuel Marketing Co. is a pioneer in this field in the State of Kuwait and it is expected to rollout such solutions during the year 2012.

The company continually is enhancing and developing other solutions related to fueling through Alfa Fuel cards. In addition to payment processing through K-net, debit cards the company is improving solutions to connect with the client's through smart mobile phones, social media and interactive website www.alfa.com.kw

As to development and uplifting the Petrol Stations that is in process at various Soor Co petrol stations in order to keep in line with the local and international level the company has standardized (ALFA), as its branded trademark. This trademark represents uniqueness and will offer services such as Convenient Store, Quick Service, Car Wash and Fast Food Restaurants for added client comfort and convenience.

Automatic Tank Gauging System (ATG)





implementation has been initiated at the company's fueling stations. This system automates the process of measuring fuel inventories at the locations with the head office. This system has many benefits in addition to remote inventory management, reporting and monitoring. In the future this system will be directly linked to Kuwait National Petroleum Company in order to automate fuel deliveries and inventory replenishment at the patrol stations. The system is in process of being applied to various stations during 2012.

Further we would like to point out that the achievements realized by the company was as a result of co-operation, joint efforts and support from all staff members in the various departments and from national employees whereas the company from its date of incorporation has attracted all these national expertise in all position of the company and placed all material and moral capability to upgrade their performance and lift up their efficiency to provide the company 's customers with quality services.

During the year 2011 , our company realized net profit of KD 4.484 million Kuwaiti Dinars from its total sales of KD 87.570 million whereas the return of the share was fils 13.16 in the same time the equity of shareholders for the year 2011 increased at 10.17 % where as it has reached KD 43.028 Million Kuwaiti Dinars in comparison with the year 2010 where it was KD 39.057 Million Kuwait Dinars.

I am pleased to seize this opportunity in order to express my gratitude and appreciation to the company's customers for their trust and support.

I also extend my appreciation to all related government, authorities and departments such as (The Environment Public Authority, General Department of Fire Kuwait Municipality and Department of State Domain) our special gratitude to Kuwait Petroleum Co. and Kuwait National Petroleum Company for their cooperation and support for the company activities to realize the desired aim for Petrol filling station and contribute in the growth of the company's operation during the coming years.

Talal Ahmed Al-Khars
Chairman

ACHIEVEMENTS

1 Development of Services & Additional New Activities

Soor Company has tried since the start of year 2011 to implement what has been planned such as developing the services provided to the customers and adding new activities in Alfa stations. Through which the customer seek evolution in the stations and its unique services to contribute the customer achievement in terms of the speed of providing excellence services and valuable activities. In order to achieve these new goals and policies established by Soor Company, which always at the forefront in the marketing of fuel in the state of Kuwait, hereby presented the following:

➤ Completion of the construction works of some certain stations in order to keep pace with the new model that will be characterized by the company›s stations and finished the issuance of license needed to start operations, where other services will includ such as providing fast food and small markets, auto services and ATM machines services for the following Stations:

- West Al Sabahiya station (115)
- West Hadiya station (116)
- South Al Sourra station (117)
- Al Akliya station (123)

➤ Completed the first phase of construction and mechanical work in the process of development and modernization of Abu Halifa station (8)

Persistence in providing other services in the company's stations and;

➤ Continuous selling of kerosene in jerry cans.

➤ Installation 72 new pumps with six (6) nozzles, in 12 stations including products (superpremier, premier, ultra, and diesel), but this type of pumps should be installed in the rest of the stations through a continuous process of modernization of the stations.

➤ Cameras are in areas of selling diesel in the stations.

➤ Provides change of oil service at all the stations.

➤ Application of solid incumbent fumes system in some stations and working on the rest of it.

➤ Test wireless recognition system RFID in Ministry of Interior stations for identify of the possibility of its application later in Soor stations.

➤ Takes precautionary safety measure by placing foam for all pipelines services in stations to collect the steam that may cause explosions.

➤ Conduct test on the system ATG in the stations to measure the movement of stocks of petroleum products.

➤ Provides service of automated car wash in the rest of the stations in line with the process of modernization and development.

➤ Refuel using Alfa cards, K-net devices and credit cards.

2 Marketing Plans

Year 2011 witnessed a remarkable development in the company›s marketing plans, carried out in conjunction with annual events such as planning in time in order to attract more customers and represents in:

- Renewal of the contract of Ministry of Interior, for four years in a row, which achieves a good return for the company.
- Launch a campaign of new fuel card exclusively for ladies, "EVE cards," which avails discounts and beauty treatments and personal insurance, and has received a positive public response especially from ladies.
- Launch a Ramadan Festival 2011, «You May Win» contest, at the Alpha stations, the very first of its kind in state of Kuwait.
- Contribute activities in educational institutions (such as schools and University of Kuwait), health institutions (such as hospitals and private clinics), and supported children of autism center for special needs.
- Co-sponsor the sports festival of Al-Nasser Sports through the definition of the services of Alpha stations.
- Organize promotional campaign ("Make insurance and Go") that aimed to introduce the Alfa cards to refuel.
- Keep providing a service of personal accident and life insurance of up to 10 thousand dollars for Alfa refueling card holders.
- Increases a demand of kerosene in jerry cans available in all Alfa filling stations that provide safety in use and help maintain a healthy environment.
- Provides a website that includes an integrated basket of services for customer service and in addition to smart mobile and all social network services desired by the public with the accuracy and speed in completing their requirements.

3 Market Share

Based on what has been said and venerable decisions of the senior management of the company and the efforts of the employees of Soor Fuel Marketing Company in the implementation of strategies and marketing plans for 2011, the company has achieved a continues positive results for the third consecutive year of selling fuel and hits the market share of 34.09% for year 2011 with an increase of 0.13% from year 2010.

4 The National Workforce

The company has developed a plan to bring the workforce in all the company facilities, either in the stations or in the main office since from the starts of year 2011 and was able to raise the proportion of the national workforce in all company's facilities.

FUTURE GOALS AND PLANS

The company has developed a strategic plan for short and medium term for the development of the company of 3 strategic pillars which are:

First: The development of the company›s services and the addition of other products throughout the following:

- Development and construction of stations fully compatible with development in this type of investment at the regional and technological level.
- Adding activities and new services to stations to keep up with the market needs and seek to make these stations as one shopping unit (with fast-food restaurants, supermarket, car service centers, car wash, etc.)
- Development of electronic services in the stations and adding the latest services to keep up with the rise of technology in this level as the RFID system.
- Updating "Alwalah" program in order to support relationship with customers.

Second: Preservation of the environment by taking into account safety, health, environment and quality of work systems through:

- Playing a leading role in the promotion and application of the best practices on the level of safety, health and environment.
- Managing the issues of safety, health and environment of equal importance and attention given for any other core business.
- Continuing on raising the efficiency of the stations' supervisors and managing the stations within the approved standards for safety, health and environment.
- Remote managing stocks of petroleum products in stations
- Re-evaluation and rehabilitation of the control system at the stations in line with the latest technological developments.

Third: Minimizing the costs and risks of the company›s operations and increasing its revenues

- The company seeks on the short term and by the available potentials to reduce the operational costs of the company and its risks as well as increasing the revenues by means using third party to reduce the interruption of support services in order to work in the fuel stations for reasons of force majeure or a sudden and unjustified rise in the prices and the company is developing plans and studies required in this regard.

- The company will also seek to take advantage of unique opportunities for growth offered by the market or any new conditions arisen in the market.

- In addition and in line with the company›s excellence in social and economic interaction, Al-Soor will continue to support and participate in the exhibitions, festivals and social and national events in which the people of Kuwait care and interact.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Soor Fuel Marketing Company S.A.K

A WORDS OF THANKS

Soor Fuel Marketing Company extand sincere thanks and appreciation to all those who contributed to the success of the company during the fiscal year 2011.

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, and Kuwait National Petroleum Company and also Ministry of Finance, for all their help to us from a dignified and cotinuous advice. And we especially thank the General Authority for Envurinment, 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...

السور SOOR

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Soor Fuel Marketing Company S.A.K

SOOR FUEL MARKETING CO. S.A.K
& ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
& INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 Dec. 2011

ALFA

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Al Soor Fuel Marketing Company K.S.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Soor Fuel Marketing Company K.S.C. ("the Parent Company") and its subsidiary (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated 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 information.

Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Kuwait Commercial Companies Law of 1960, as amended, and the Parent Company's Articles of Association; that an inventory count was duly carried out; and that, to the best of our knowledge and belief, no violations of the Kuwait Commercial Companies Law of 1960, as amended, or of the Parent Company's Articles of Association have occurred during the year ended 31 December 2011 that might have had a material effect on the business of the Group or on its consolidated financial position.

Deloitte.

Jassim Ahmad Al-Fahad
License No. 53-A
Deloitte & Touche Al-Fahad, Al-Wazzan & Co.

PRICEWATERHOUSECOOPERS

Khalid Ebrahim Al-Shatti
Licence No. 175-A
PricewaterhouseCoopers (Al-Shatti & Co.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2011 KD	2010 KD
ASSETS			
Current assets			
Cash and cash equivalents	5	15,716,487	10,723,546
Accounts receivable and prepayments	6	4,604,932	4,883,833
Fixed deposits	7	-	6,900,000
Financial assets at fair value through profit or loss	8 & 30	1,446,586	2,409,779
Inventories	9	341,881	330,497
		22,109,886	**25,247,655**
Non-current assets			
Available for sale investments	10	2,249,867	1,863,350
Investment in an associate	11	1,586,613	-
Advance against investment in an associate	11	-	1,500,000
Investment properties	12	7,955,833	-
Property and equipment	13	19,985,565	18,745,545
Intangible assets	14	1,668,283	1,784,721
		33,446,161	**23,893,616**
Total assets		**55,556,047**	**49,141,271**
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accruals	16	10,342,700	9,299,133
Current portion of long term loan	17	**332,833**	**-**
		10,675,533	**9,299,133**
Non-current liabilities			
Provision for staff indemnity		187,562	163,697
Long term loan	17	1,664,167	621,000
		1,851,729	**784,697**
Total liabilities		**12,527,262**	**10,083,830**
Equity			
Share capital	18	32,981,285	29,982,987
Treasury shares	19	(512,764)	-
Statutory reserve	20	2,145,205	1,665,696
Voluntary reserve	21	2,145,205	1,665,696
Retained earnings		6,269,854	5,743,062
Total equity		**43,028,785**	**39,057,441**
Total liabilities and equity		**55,556,047**	**49,141,271**

Talal Ahmed Al-Khars
Chairman

CONSILIDATED STATEMENT OF INCOME

	Notes	2011 KD	2010 KD
Sales		87,570,164	81,135,574
Cost of sales		(76,057,626)	(71,012,213)
Operating expenses	25	(4,671,770)	(4,278,507)
Gross profit		6,840,768	5,844,854
Investment (loss) / income	24	(117,858)	364,149
Rental income		203,782	-
General and administrative expenses	26	(2,888,883)	(2,789,516)
Provision for impairment of trade receivables	6	(66,422)	-
Finance costs		(75,104)	(23,841)
Other income		898,809	1,264,882
Profit before Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat		4,795,092	4,660,528
Directors' remuneration	27	(100,000)	(100,000)
KFAS		(43,156)	(41,945)
NLST		(119,877)	(116,260)
Zakat		(47,951)	(35,343)
Profit for the year		**4,484,108**	**4,366,980**
Basic and diluted earnings per share (fils)	28	**13.61**	**13.24**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011 KD	2010 KD
Profit for the year	4,484,108	4,366,980
Other comprehensive income		
Other comprehensive income for the year		
Total comprehensive income for the year	**4,484,108**	**4,366,980**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Retained earnings	Total
		KD	KD	KD	KD	KD	KD
Balance at 1 January 2010		29,982,987	-	1,199,643	1,199,643	5,906,146	38,288,419
Total comprehensive income for the year		-	-	-	-	4,366,980	4,366,980
Dividends		-	-	-	-	(3,597,958)	(3,597,958)
Transfer to reserves		-	-	466,053	466,053	(932,106)	-
Balance at 31 December 2010		29,982,987	-	1,665,696	1,665,696	5,743,062	39,057,441
Total comprehensive income for the year		-	-	-	-	4,484,108	4,484,108
Issuance of bonus shares	18	2,998,298	-	-	-	(2,998,298)	-
Purchase of treasury shares	19	-	(512,764)	-	-	-	(512,764)
Transfer to reserves		-	-	479,509	479,509	(959,018)	-
Balance at 31 December 2011		32,981,285	(512,764)	2,145,205	2,145,205	6,269,854	43,028,785

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit for the year		4,484,108	4,366,980
Adjustments for:			
Depreciation and amortization	12 ,13 ,14	1,038,949	1,005,473
Provision for staff indemnity		73,947	61,412
Investment loss / (income)	24	117,858	(364,149)
Provision for impairment of trade receivables		66,422	-
Finance costs		75,104	23,841
Changes in working capital:		5,856,388	5,093,557
Accounts receivable and prepayments		218,143	(2,641,608)
Inventories		(11,384)	(16,842)
Accounts payable and accruals		1,188,040	(130,797)
Indemnity paid		(50,082)	(12,270)
Net cash generated by operating activities		**7,201,105**	**2,292,040**
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit or loss		(1,383,427)	(2,782,443)
Proceeds from sale of financial assets at fair value through profit or loss		1,993,173	2,576,504
Purchase of available for sale investments		(386,517)	(965,600)
Investment in associate		(64,500)	-
Purchase of investment properties	12	(7,988,000)	-
Purchase of property and equipment	13	(2,119,838)	(2,244,564)
Purchase of intangible assets	14	(10,526)	(2,197)
Net movement in fixed deposits		6,900,000	11,350,000
Investment income received		207,812	627,810
Net cash (used in) / generated by investing activities		**(2,851,823)**	**8,559,510**
FINANCING ACTIVITIES			
Dividends paid		(147,976)	(2,662,475)
Purchase of treasury shares	19	(512,764)	-
Finance costs paid		(71,601)	(23,841)
Proceeds from long term loan		1,376,000	621,000
Net cash generated by / (used in) financing activities		**643,659**	**(2,065,316)**
Net increase in cash and cash equivalents		4,992,941	8,786,234
Cash and cash equivalents at the beginning of the year		10,723,546	1,937,312
Cash and cash equivalents at the end of the year	5	**15,716,487**	**10,723,546**

1 FORMATION & PRINCIPAL ACTIVITIES

Al Soor Fuel Marketing Company K.S.C. ("the Parent 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 principal activities of the Parent Company and its subsidiary (together referred to as "the Group") 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 and investing in companies with similar activities. 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 Parent Company also performs works of filling, storage, transportation and trade of petroleum products by purchasing, retail or wholesale. Also, the Parent Company's objectives include purchase, rent, possession and sale of land and real estate properties in various sites.

The Parent Company was listed on the Kuwait Stock Exchange on 30 June 2008.

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

The Parent Company had 183 employees as of 31 December 2011 (31 December 2010: 176 employees).

The consolidated financial statements for the year ended 31 December 2011 were approved for issue by the Board of Directors on 6 March 2012, and are subject to the approval of the Annual General Assembly of the shareholders.

2 ADOPTION OF NEW AND REVISED STANDARDS

a) New standards, interpretations and amendments effective from 1 January 2011

The improvements to International Financial Reporting Standards ("IFRS") in 2010 made several minor amendments to a number of IFRSs. None of the new standards, interpretations and amendments, effective for the first time from 1 January 2011, have had a material effect on the consolidated financial statements.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted (*not relevant to the Group):

- IAS 19* 'Employee benefits', effective periods beginning on or after 1 June 2011;
- IFRS 9 'Financial instruments', effective 1 January 2015;
- IFRS 10 'Consolidated financial statements', effective 1 January 2013;
- IFRS 11*'Joint arrangements', effective 1 January 2013;
- IFRS 12* 'Disclosures of interests in other entities', effective 1 January 2013; and
- IFRS 13 'Fair value measurement', effective 1 January 2012.

3 SIGNIFICANT ACCOUNTING POLICIES

[Statement of compliance]

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. These consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss and available for sale investments which are carried at fair value.

The accounting policies have been applied consistently by the Group and are consistent with those used in the previous year except for the adoption of IAS 28 (Investments in Associates) and IAS 40 (Investment Property) due to the acquisitions during the year.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Group's functional and presentation currency.

The principal accounting policies are set out below.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

These consolidated financial statements include the financial statements of the Parent Company and its wholly owned subsidiary (see note 15). A subsidiary is an enterprise controlled by the Parent Company. Control is achieved where the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiary is included in these consolidated financial statements on a line by line basis from the date that control effectively commences until the date that control effectively ceases. Total comprehensive income of subsidiaries is attributed to equity holders of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Interest in the equity of subsidiaries not attributable to the Group is reported as non-controlling interest in the consolidated statement of the financial position. Non-controlling interest in the acquiree is measured at the proportionate share of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. Gains or losses on disposals to non-controlling interests are recorded in equity.

Inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with those used by the Group.

Cash and cash equivalents

Cash and cash equivalents are those with original maturity of less than three months and comprise bank balances, cash held in portfolio, fixed deposits and cash on hand.

Recognition of financial instruments

Financial assets and liabilities are recognised when the Group becomes party to contractual provisions of the instrument and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss.

Financial instruments

Financial assets are classified as 'loans and receivables', 'financial assets at fair value through profit or loss' or 'available for sale investments'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial liabilities are classified as 'financial liabilities other than at fair value'.

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.

Accounts receivable and fixed deposits are classified as loans and receivables.

Effective yield method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future; or

(ii) on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated & effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group›s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated at FVTPL.

After initial recognition, the Group measures these assets at their fair values, without any deduction for transaction costs it may incur on sale or other disposal thereof with any resultant gain or loss recognised in the consolidated statement of income.

Available for sale investments

Available for sale investments are non-derivative investments that are not designated as any other category of financial assets.

After initial recognition, investments which are classified as available for sale investments are measured at fair value or at cost if fair value cannot be reliably measured. Gains and losses arising from subsequent changes in fair value are recognised in other comprehensive income, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the consolidated statement of income for the year for the period which they arise.

For investments traded in organised financial markets, fair value is determined by reference to the last quoted bid price at the close of business on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected cash flows or the underlying net asset base of the investment. Investments whose fair value cannot be reliably measured are carried at cost less any impairment loss, (if any).

Trade and settlement date z accounting

All 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.

Fair values

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[Financial instruments (Continued)]

Derecognition of financial assets & financial liabilities

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

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For shares classified as available for sale investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For trade receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in interest or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income.

With the exception of available for sale investments, 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 through the consolidated statement of income to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available for sale investments, impairment losses previously recognised through the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Accounts payable

Accounts payable are subsequently measured at amortised cost, using the effective interest rate method.

Borrowings

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest rate method.

Accounts payable and borrowings are classified as financial liabilities other than at fair value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes the purchase price, import duties, transportation, handling and other direct costs. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Investment in associate

Associates are enterprises over which the Group exercises significant influence, and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in financial and operating policy decisions but not in control or joint control over those policies.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in the statement of comprehensive income is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties, which are held to earn rentals and/or for capital appreciation, are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Freehold land is not depreciated. Building is depreciated using the straight line method over its estimated useful live of 40 years.

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying value exceed their recoverable amount. If any indication of impairment exists and where the carrying value exceeds the estimated recoverable amount, investment properties are written down to their recoverable amount.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Capital work in progress is carried at cost less accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at each consolidated statement of financial position date, with the effect of any changes in estimate accounted for on prospective basis.

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

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of net identifiable assets at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group'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 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

Licences acquired in business combinations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of licence over their estimated useful lives (25-30 years).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

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

Impairment of tangible and intangible assets, excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Provision for staff indemnity

Provision is made for staff indemnity which is payable on completion of employment. The provision is calculated in accordance with Kuwait Labour Law based on employees' salaries and accumulated years 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 consolidated statement of financial position date, on the basis that this computation is a reliable approximation of the present value of this obligation.

Treasury shares

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Sale of goods

Revenue from sale of goods is recognized upon delivery and reported net of applicable discounts.

Rendering of services

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

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Rental income

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

Leasing

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits will flow to the Group. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Translation of foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of income for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

Segment reporting

Operating segments are to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are divided as business segments.

A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.

4 CRITICAL ACCOUNTING JUDGEMENTS & KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Classification of investments

Management decides on the acquisition of an investment whether to classify it as available for sale or at fair value through profit or loss. The Group classifies investments at fair value through profit or loss if the investment has been acquired principally for the purpose of selling it in the near term and its fair value can be reliably determined. All other investments are classified as available for sale investments.

Impairment of available for sale investments

The Group follows the guidance of IAS 39 "Financial Instruments: Recognition and measurement" to determine when an available for sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group assesses, among other factors, whether objective evidence of impairment exists.

Key sources of estimation uncertainty

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

Valuation of unquoted equity investments

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

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

Impairment of receivables

The Group's management periodically reviews items classified as receivables to assess whether a provision for impairment should be recorded in the consolidated statement of income. Management estimates 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 judgement and uncertainty.

Impairment of tangible and intangible assets and goodwill and useful lives

The Group's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives of tangible and intangible assets and the related depreciation and amortization charges. The depreciation and amortization charges for the year will change significantly if actual life is different from the estimated useful life of the asset.

5 CASH & CASH EQUIVALENTS

	2011 KD	2010 KD
Bank balances	5,821,525	10,574,807
Cash held in portfolio	1,392,653	142,818
Fixed deposits	8,500,000	-
Cash on hand	2,309	5,921
	15,716,487	**10,723,546**

6 ACCOUNTS RECEIVABLE & PREPAYMENTS

	2011 KD	2010 KD
Trade receivables	4,310,040	4,503,426
Less: Provision for impairment of trade receivables	(66,422)	-
	4,243,618	4,503,426
Accrued interest income	5,664	-
Prepaid expenses	355,650	380,407
	4,604,932	**4,883,833**

The average credit period on sale of goods is 30 days. At 31 December 2011, trade receivables of KD 4,243,618 (2010: KD 4,503,426) were fully performing.

Included in the Group's trade receivables balance are debtors with a carrying amount of KD 2,368,874 (2010: KD 2,883,519) which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

[Aging of past due but not impaired]

	2011 KD	2010 KD
30 to 90 days overdue	1,362,019	1,120,207
More than 90 days overdue	1,006,855	1,763,312
	2,368,874	**2,883,519**

[Aging of past due and impaired]

	2011 KD	2010 KD
More than 90 days overdue	66,422	-
	66,422	**-**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The carrying amounts of the Group's trade receivables are denominated in KD and located in the State of Kuwait.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above (see note 31).

7 FIXED DEPOSITS

Fixed deposits are placed with local banks, denominated in KD and carry an effective interest rate of nil (31 December 2010: 2%) per annum and mature after three months from the date of deposit.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These represents quoted investments in a financial portfolio managed by a specialized investment management company which is a related party. Quoted shares are listed on the Kuwait Stock Exchange.

9 INVENTORIES

	2011 KD	2010 KD
Premium fuel	103,895	105,395
Super premium fuel	128,635	110,920
Gas oil	21,089	27,719
Kerosene	8,735	12,480
Ultra super premium fuel	34,659	28,994
Spare parts	44,868	44,989
	341,881	**330,497**

10 AVAILABLE FOR SALE INVESTMENTS

	2011 KD	2010 KD
Investment in unquoted shares	2,249,867	1,863,350

Available for sale investments are located in the State of Kuwait and denominated in KD. These investments 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 impairment. Included in available for sale investments is an amount of KD 965,600 (2010: KD 965,600) representing equity shares of a related party.

11 INVESTMENT IN AN ASSOCIATE/ADVANCE AGAINST INVESTMENT IN AN ASSOCIATE

[The investment in associate comprise the following:]

Name	Country of incorporation	2011 proportion of ownership interest & voting rights	2010 proportion of ownership interest & voting rights	Principal activity
Metalex Energy Company K.S.C. (Closed)	Kuwait	35%	–	Contract services for oil sector

On 16 June 2011, the Parent Company acquired 35% interest in Metalex Energy Company K.S.C. (Closed) ("the associate") for a total consideration of KD 1,564,500 against an advance payment of KD 1,500,000 made in the previous years. The acquisition resulted in goodwill of KD 577,977, which has been determined on a provisional basis. The Group is in the process of determining the fair values of the acquired assets and assumed liabilities of the associate and therefore disclosure of the fair values of the net identifiable assets, liabilities and the goodwill arising from the acquisition cannot be made. Finalisation of the valuation is expected to be completed during 2012.

[The movement of investment in an associate is as follows:]

	2011 KD	2010 KD
Acquisition of an associate – purchase consideration	1,564,500	-
Share of results of an associate	22,113	-
At 31 December	1,586,613	-

11 INVESTMENT IN AN ASSOCIATE/ADVANCE AGAINST INVESTMENT IN AN ASSOCIATE (CONTINUED)

The Financial information in respect of the groups share of the associate is set out below:

	2011 KD	2010 KD
Total assets	3,424,525	-
Total liabilities	(542,708)	-
Net assets	2,881,817	-
Group's share of net assets	**1,008,636**	-

	2011 KD	2010 KD
Total revenue	2,449,955	-
Post acquisition profit	63,180	-
Group's share of results	**22,113**	-

There were no published price quotation for the associate of the Group as at 31 December 2011 (2010: KD Nil).

12 INVESTMENT PROPERTIES

	Freehold land	Buildings KD	Total KD
Cost			
Additions during the year	6,100,000	1,888,000	7,988,000
At 31 December 2011	6,100,000	1,888,000	7,988,000
Accumulated depreciation			
Depreciation during the year	-	(32,167)	(32,167)
At 31 December 2011	-	(32,167)	(32,167)
Carrying amount			
At 31 December 2011	6,100,000	1,855,833	7,955,833

During the year, the Group purchased investment properties for a total consideration of KD 7,988,000 from related parties (note 23). The fair value of investment properties as at 31 December 2011 is KD 7,980,000 which was determined by independent valuers.

The Group has not yet completed the procedures to transfer the title deed and ownership of an investment property of KD 6,000,000 of the Group as at 31 December 2011.

13 PROPERTY & EQUIPMENT

	Leasehold property	Building	Installations & equipment	Furniture & fixtures	Vehicles	Capital work-in-progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
At 1 January 2010	19,087,811	-	4,804,644	703,261	29,269	256,877	**24,881,862**
Additions	-	-	236,256	20,221	-	1,988,087	**2,244,564**
At 1 January 2011	19,087,811	-	5,040,900	723,482	29,269	2,244,964	**27,126,426**
Additions	-	602,440	386,204	35,937	1,060	1,094,197	**2,119,838**
At 31 December 2011	19,087,811	602,440	5,427,104	759,419	30,329	3,339,161	**29,246,264**
Accumulated depreciation							
At 1 January 2010	2,332,955	-	4,761,645	393,943	11,009	-	**7,499,552**
Charge for the year	636,260	-	20,006	219,209	5,854	-	**881,329**
At 1 January 2011	2,969,215	-	4,781,651	613,152	16,863	-	**8,380,881**
Charge for the year	636,260	35,739	94,109	107,755	5,955	-	**879,818**
At 31 December 2011	3,605,475	35,739	4,875,760	720,907	22,818	-	**9,260,699**
Carrying amount							
At 31 December 2011	15,482,336	566,701	551,344	38,512	7,511	3,339,161	**19,985,565**
At 31 December 2010	16,118,596	-	259,249	110,330	12,406	2,244,964	**18,745,545**
Estimated useful lives (years)	30 years	15 years	1-15 years	1-5 years	1-5 years		

Fuel stations are constructed on land leased from the Government of Kuwait. 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 fuel stations.

Depreciation expense is allocated between operating expenses in the amount of KD 100,064 (2010: KD 25,860) (note 25) and general and administrative expenses in the amount of KD 779,754 (2010: KD 855,469).

14 INTANGIBLE ASSETS

	Goodwill KD	License fees KD	Software KD	Total KD
Cost				
At 1 January 2010	210,483	1,725,128	196,034	2,131,645
Additions	-	-	2,197	2,197
At 1 January 2011	210,483	1,725,128	198,231	2,133,842
Additions	-	-	10,526	10,526
At 31 December 2011	210,483	1,725,128	208,757	2,144,368
Accumulated amortisation				
At 1 January 2010	-	210,852	14,125	224,977
Charge for the year	-	57,504	66,640	124,144
At 1 January 2011	-	268,356	80,765	349,121
Charge for the year	-	57,504	69,460	126,964
At 31 December 2011	-	325,860	150,225	476,085
Carrying amount				
At 31 December 2011	210,483	1,399,268	58,532	1,668,283
At 31 December 2010	210,483	1,456,772	117,466	1,784,721
Annual amortisation rates	-	30 years	3 years	

Goodwill represents the excess of cost of acquisition over the Group'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

15 SUBSIDIARY

[Details of the Group's subsidiary are as follows:]

Name of subsidiaryz	Country of incorporation	Proportion of ownership interest 2010	2011	Principal activity
Advantage for Establishing Central Markets Co. S.C.K. (Closed)	Kuwait	100%	100%	Operating central markets

16 ACCOUNTS PAYABLE & ACCRUALS

	2011 KD	2010 KD
Kuwait National Petroleum Company (note 23)	8,065,576	7,072,156
Trade payables	434,495	370,500
Accrued expenses	727,856	593,728
Dividend payable	1,114,773	1,262,749
	10,342,700	**9,299,133**

17 LONG TERM LOAN

Long term loan is provided by a local bank and carries an effective interest rate of 3% per annum over the Central Bank of Kuwait discount rate. The total available facility is KD 13,800,000 repayable in 12 equal quarterly instalments amounting to KD 1,150,000 each. The first instalment is due on 30 July 2012. The total drawn facility at 31 December 2011 amounts to KD 1,997,000 (2010: KD 621,000). The carrying amount of the Group's long term loan is denominated in KD.

18 SHARE CAPITAL

Share capital at 31 December 2011 consists of 329,812,854 (31 December 2010: 300,000,000) authorized shares of 100 fils each. The paid up share capital at 31 December 2011 is KD 32,981,285 (31 December 2010: KD 29,982,987).

The Extraordinary General Assembly held on 23 May 2011 approved the reduction of share capital from KD 30,000,000 (300,000,000 shares of 100 fils each) to KD 29,982,987 (299,829,870 shares of 100 fils each). The General Assembly meeting held on the same day approved the distribution of a 10% stock dividend amounting to KD 2,998,298 (29,982,986 shares of 100 fils each) to the shareholders of record as of the date of the General Assembly.

19 TREASURY SHARES

	2011 KD	2010 KD
Number of treasury shares	1,924,483	-
Percentage of treasury shares to the share capital	% 0.58	-
Cost of treasury shares	512,764	-
Market value of shares	500,367	-

20 STATUTORY RESERVE

In accordance with the Commercial Companies' Law and the Parent Company's Articles of Association, 10% of the profit for the year before Directors' remuneration, KFAS, NLST and Zakat is to be transferred to statutory reserve until this reserve reaches a minimum of 50% of the paid up share capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of such dividend.

21 VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year before Directors' remuneration, KFAS, NLST and Zakat is to be transferred to the voluntary reserve. This transfer may be stopped by a resolution adopted by the ordinary assembly as recommended by the Board of Directors. There are no restrictions on distributions from the voluntary reserve.

22 SEGMENT INFORMATION

Operating segments are to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The operating segments are divided into three major business segments. Business segments are distinguishable components of the Group that provide products or services subject to risks and returns different from those of other business segments.

	Retail petroleum services	Investment operations	Others	Total
	KD	KD	KD	KD
2011				
Segment revenues	87,570,164	203,782	898,809	88,672,755
Segment expenses	(83,503,331)	(132,767)	(552,549)	(84,188,647)
Segment results	4,066,833	71,015	346,260	4,484,108
Segment assets	33,151,246	22,344,624	60,177	55,556,047
Segment liabilities	8,487,849	3,111,774	927,640	12,527,262
2010				
Segment revenues	81,135,574	364,149	1,264,882	82,764,605
Segment expenses	(78,003,899)	(18,493)	(375,233)	(78,397,625)
Segment results	3,131,675	345,656	889,649	4,366,980
Segment assets	36,299,901	12,815,947	25,423	49,141,271
Segment liabilities	7,438,201	1,883,749	761,880	10,083,830

23 RELATED PARTY TRANSACTIONS

Related parties consist of major shareholders, directors and executive officers of the Group, their families and companies of which they are the principal owners. All related party transactions approximate arms length terms and are approved by the Group's management.

The related party balances and transactions included in the consolidated financial statements are as follows:

	2011 KD	2010 KD
a) Due to related party		
Kuwait National Petroleum Company (note 16)	8,065,576	7,072,156
b) Purchases		
Purchase of fuel	76,122,789	71,048,635
Purchase of investment properties (net)	7,955,833	-
c) Key management compensation		
Salaries and other short-term benefits	88,142	124,207
Termination benefits	3,365	4,615
	91,507	**128,822**

24 INVESTMENT INCOME

	2011 KD	2010 KD
Interest income	168,021	240,155
Dividend income	45,455	59,261
Change in fair value of financial assets at fair value through profit or loss	(353,974)	(88,641)
Gain on sale of financial assets at fair value through profit or loss	527	153,374
Share of results of an associate	22,113	-
	(117,858)	**364,149**

25 OPERATING EXPENSES

	2011 KD	2010 KD
Staff salaries and related costs	2,428,222	2,264,964
Rent expense	753,299	761,542
Maintenance and running costs	462,294	533,741
Freight expenses	590,235	389,655
Depreciation (note 12 & 13)	132,231	25,860
Other expenses	305,489	302,745
	4,671,770	**4,278,507**

26 GENERAL & ADMINSTRATIVE EXPENSES

	2011 KD	2010 KD
Staff salaries and related costs	914,626	898,108
Depreciation and amortization	906,718	979,613
Bank charges	60,018	83,585
Professional and consultancy fees	246,571	200,821
Rent expense	242,400	241,600
Advertisement	232,234	242,409
Other expenses	286,316	143,380
	2,888,883	**2,789,516**

27 DIRECTORS' REMUNERATION

Directors' remuneration amounting to KD 100,000 (2010: KD 100,000) is subject to the approval of the shareholders in the forthcoming Annual General Assembly.

28 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted 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:

	2011	2010
	KD	KD
Profit for the year	4,484,108	4,366,980
	Shares	
Weighted average number of ordinary shares outstanding	329,386,700	329,812,854
Basic and diluted earnings per share	13.61 fils	13.24 fils

- *There are no potential dilutive shares.*
- *Earnings per share calculations for 2010 have been adjusted to take account of the bonus shares issued in 2011.*

29 COMMITMENTS AND CONTINGENCIES

	2011	2010
	KD	KD
Capital commitments	827,000	617,741
Letters of guarantee	5,218,848	5,583,968

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm›s length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate. The carrying values of financial instruments approximate their fair values at 31 December due to the relatively short-term maturity of the instruments except that it was not possible to reliably measure the fair value of certain unquoted securities.

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation methods. The different levels have been defined as follows:

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2011				
Financial assets at fair value through profit or loss	1,446,586	-	-	1,446,586
31 December 2010				
Financial assets at fair value through profit or loss	2,409,779	-	-	2,409,779

31 FINANCIAL INSTRUMENTS

[Capital risk management]

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt which includes the long term loan as disclosed in note 17, cash and cash equivalents as disclosed in note 5 and equity comprising issued share capital, treasury shares and reserves as disclosed in the consolidated statement of financial position.

[Significant accounting policies]

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and liability are disclosed in note 3 to these consolidated financial statements.

Categories of financial instruments

	2011 KD	2010 KD
Financial assets		
Cash and cash equivalents	15,716,487	10,723,546
Accounts receivable	4,249,282	4,503,426
Fixed deposits	-	6,900,000
Financial assets at fair value through profit or loss	1,446,586	2,409,779
Available for sale investments	2,249,867	1,863,350
Financial liabilities		
Accounts payable and accruals	10,342,700	9,299,133
Long term loan	1,997,000	621,000

[Financial risk management objectives]

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency exchange risk, interest rate risk and equity price risk), credit risk, liquidity risk and operational risk.

[Market risk]

Market risk is the risk that changes in market prices, such as foreign currency exchange, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange, interest rates and equity price risk.

Foreign currency exchange risk management

Foreign currency exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group does not have significant exposure as of the consolidated statement of financial position date to foreign currency exchange risk.

Interest rate risk management

Interest rate risk arises from the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group's interest bearing assets are deposits with banks mostly at fixed rates over the contractual term, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises primarily from its term loans. These borrowings at variable rates expose the Group to cash flow interest rate risk. The Group constantly monitors and takes remedial action such as refinancing, renewal of existing positions and alternative financing to mitigate the risks arising from adverse interest rate changes.

As at 31 December 2011, if interest rates had been 50 basis points higher/lower with all other variables held constant, the profit for the year would have been lower/higher by KD 9,985 (2010: KD 3,105).

Equity price risk management

Equity price risk arises from changes in the fair values of equity investments. The Group manages this risk through diversification of investments in terms of industry concentration.

For investments classified at fair value through profit or loss, a five percent increase in stock prices would have increased profit by KD 72,329 (31 December 2010: an increase of KD 124,489). An equal change in the opposite direction would have had equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

31 FINANCIAL INSTRUMENTS (CONTINUED)

[Credit risk]

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group uses its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Concentration of credit risk is represented by one major customer representing 33% (2010: 49%) of the trade receivables balance. The Group is not exposed to credit risk from such customer as it is a governmental entity. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011 KD	2010 KD
Cash and cash equivalents	15,714,178	10,717,625
Accounts receivable	4,243,618	4,503,426
Fixed deposits	-	6,900,000
Advance against investment in an associate	-	1,500,000
	19,957,796	**23,621,051**

[Liquidity risk]

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short and medium funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and cash equivalents and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets. Except for the long term loan (note 17), all the financial liabilities of the Group are due within one year from the consolidated statement of financial position date.

31 FINANCIAL INSTRUMENTS (CONTINUED)

[Operational risk]

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

32 PROPOSED DIVIDENDS

The Board of Directors proposed the distribution of bonus shares of 6% (2010: 10%) and cash dividend of Nil (2010: Nil) of the paid-up capital as at 31 December 2011 to the shareholders of record as of the date of the General Assembly. This proposal is subject to approval at the Annual General Assembly Meeting.

33 OPERATING LEASES

The Group has entered into several lease arrangements, mainly for renting of land over which fuel stations are constructed. The total future minimum lease payments under the operating leases for each of the following periods are:

	2011 KD	2010 KD
Not later than one year	583,719	967,170
After one year and not later than five years	28,659	490,155
	612,378	1,457,325

The amounts disclosed in the table above are the contractual undiscounted future minimum lease payments which is not significantly different than its present value as at 31 December 2011 and 2010. Such lease agreements are subject to automatic renewal.


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