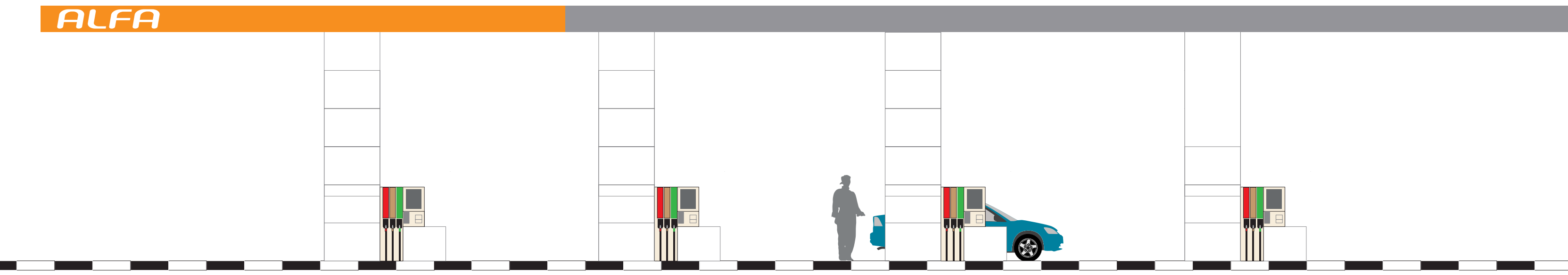
بسم الله الرحمن الرحيم

THE **MARK** OF

QUALITY on

THE ROAD



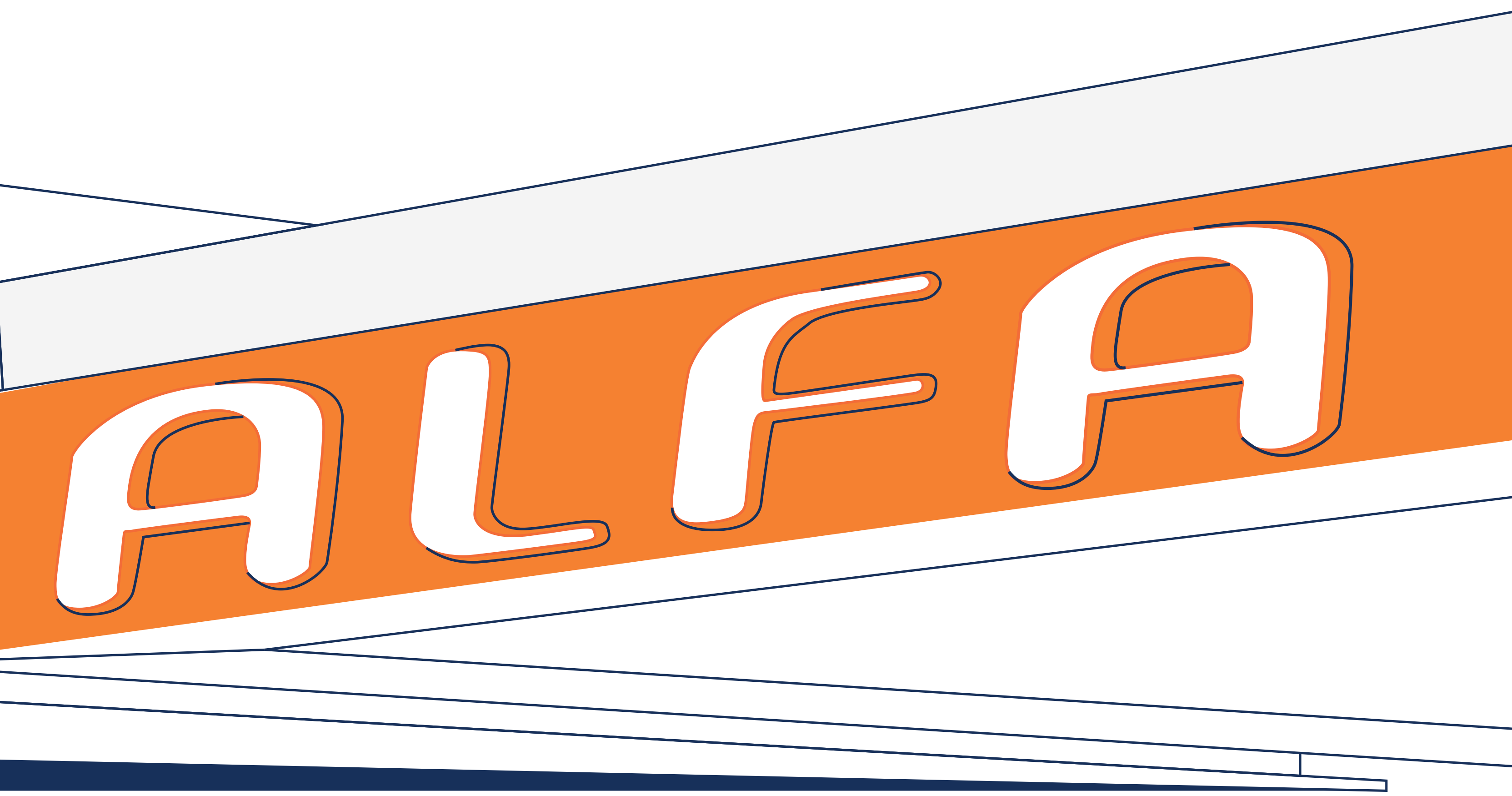
السور SOOR
شركة السور لتسويق الوقود ش.م.ك
Soor Fuel Marketing Company S.A.K

ALFA ألفا

ANNUAL REPORT
2016

His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait



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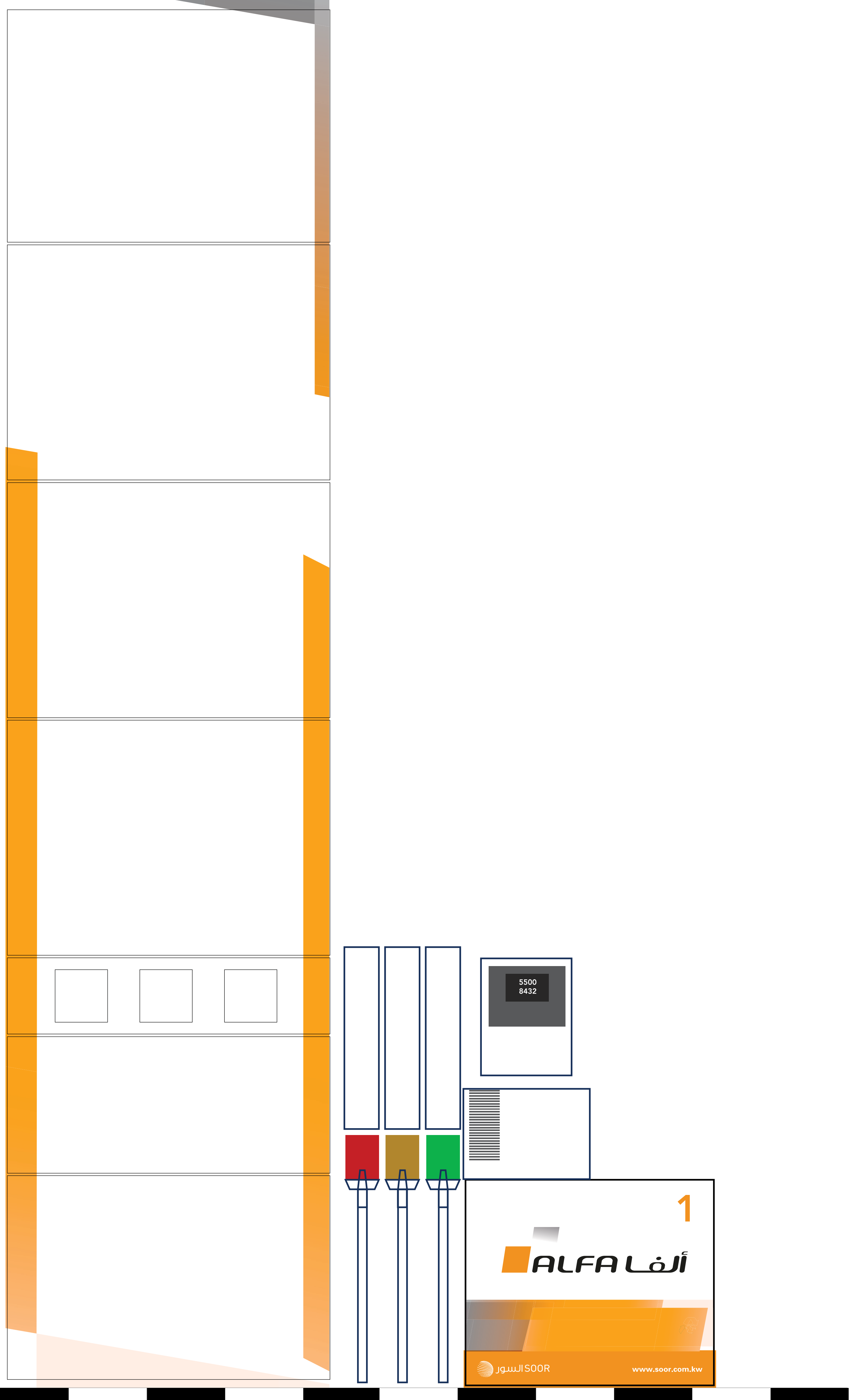
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ALFA ألفا
السور SOOR
www.soor.com.kw

SOOR CORPORATE PROFILE

Company's Title: Soor Fuel Marketing Co (K. S. C.)
Commercial Registry & Date: 113393, dated 9/4/2006

Paid-Up capital: 40,470,758.000   Kuwaiti Dinar
Shared Issued & Subscribed: 404,707,580 shares
Number of shares Authorized:404,707,580 shares
Headquarters: State of Kuwait – AlMirqab – Bl. 3 – Omar Bin Alkhatab street - KBT
P.O. Box: 28396 – Safat: 13144 – Kuwait

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 customers services centers at these stations. These centers provide all services related to cars and vehicles such as oil change, car wash, maintenance services, repair and technical testing of vechiles 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 institution which participates or buys such institutions or have them affiliates.

SOOR VALUES

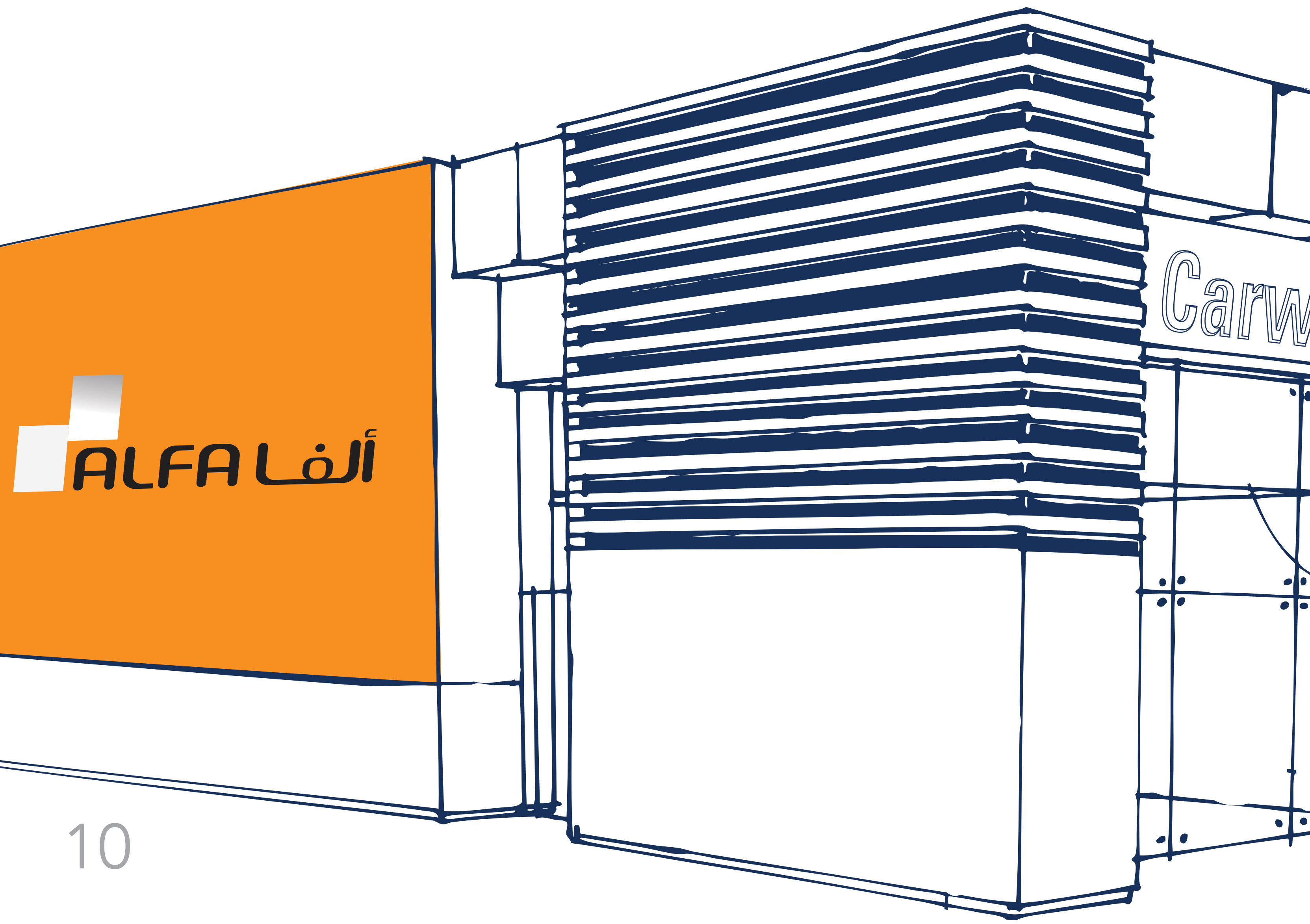
LEADERSHIP & EXCELLENCE – we are committed to being leaders in our industry and our country – setting an example for excellence in all what we say & do – in our products, services & actions.

TRUST & INTEGRITY – we are committed to building a long term Relationship with our clients, partners, employees, & community – one based on mutual respect, trust and the highest standards.

GROWTH & PERFORMANCE – we are committed to providing our partners and shareholders growth opportunities and profitable returns on their investments.

COMMITMENT & DEDICATION – we are committed to achieving Our goals together – offering great work environment and professional growth opportunities to our employees.

RESPONSIBILITY / CORPORATE CITIZENSHIP – we are Committed to responsible citizenship – through active community involvement and respect for our environment.

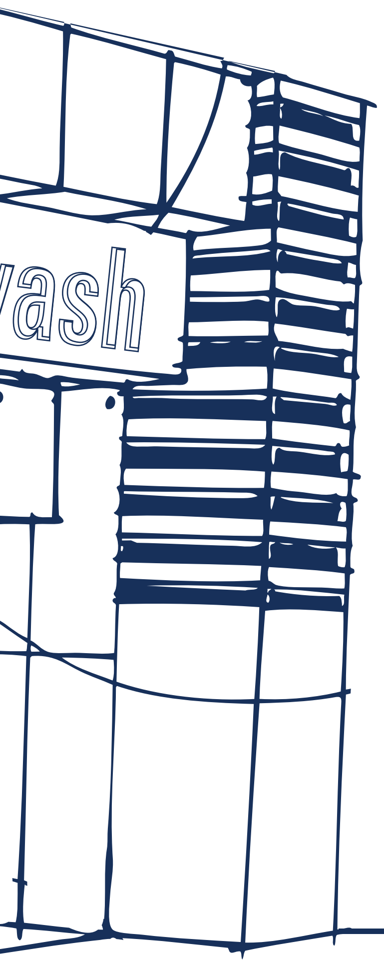


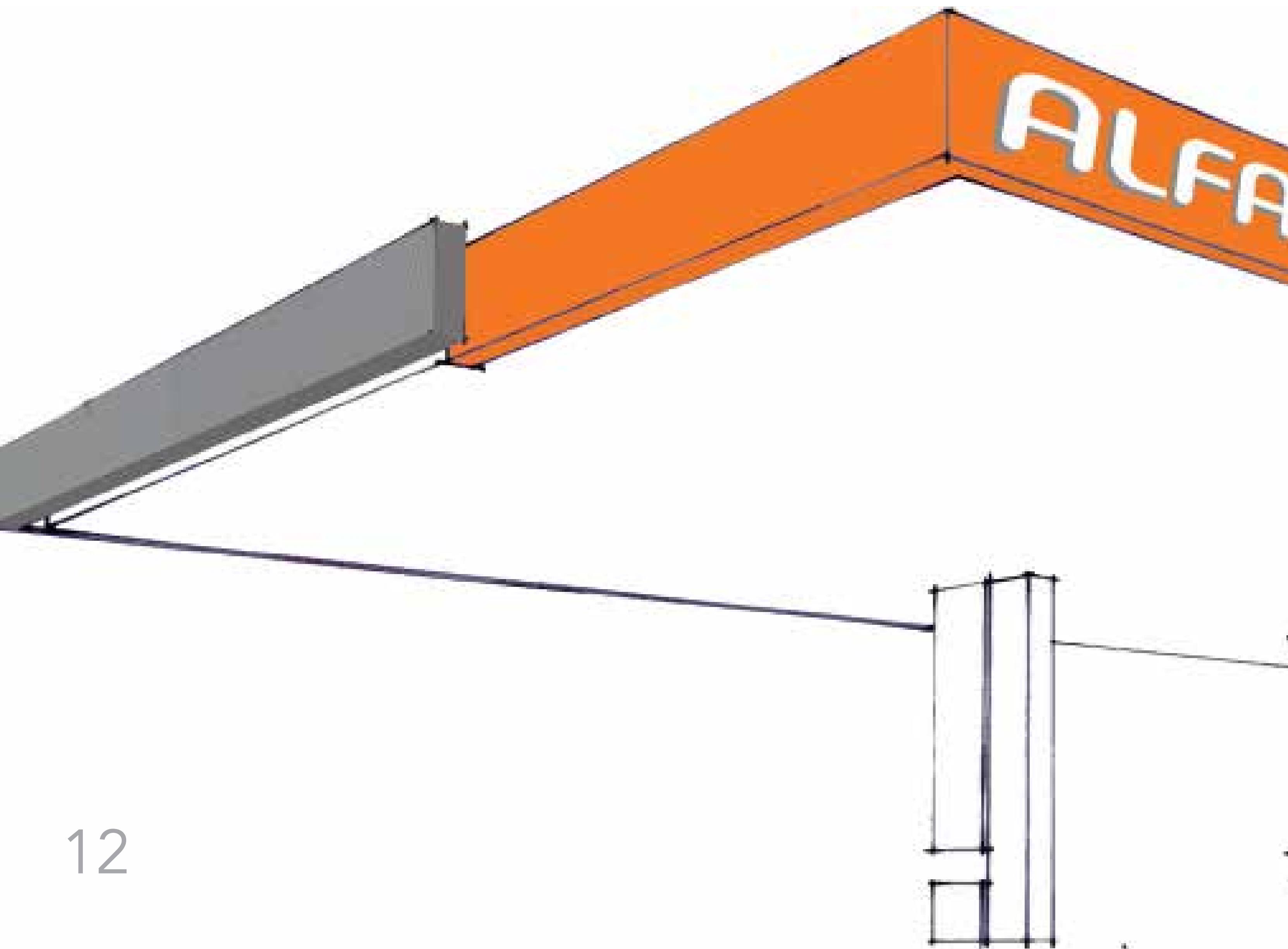
OUR MISSION

Soor is committed to build a reputation of quality & integrity by providing innovative products and services to the local and regional markets while promoting respect for the environment and the society.

OUR VISION

To become a leading “fuel marketing company” through acquisition, alliances and strategic partnerships – delivering diversified & integrated energy solutions – while growing in size, revenue and presence.

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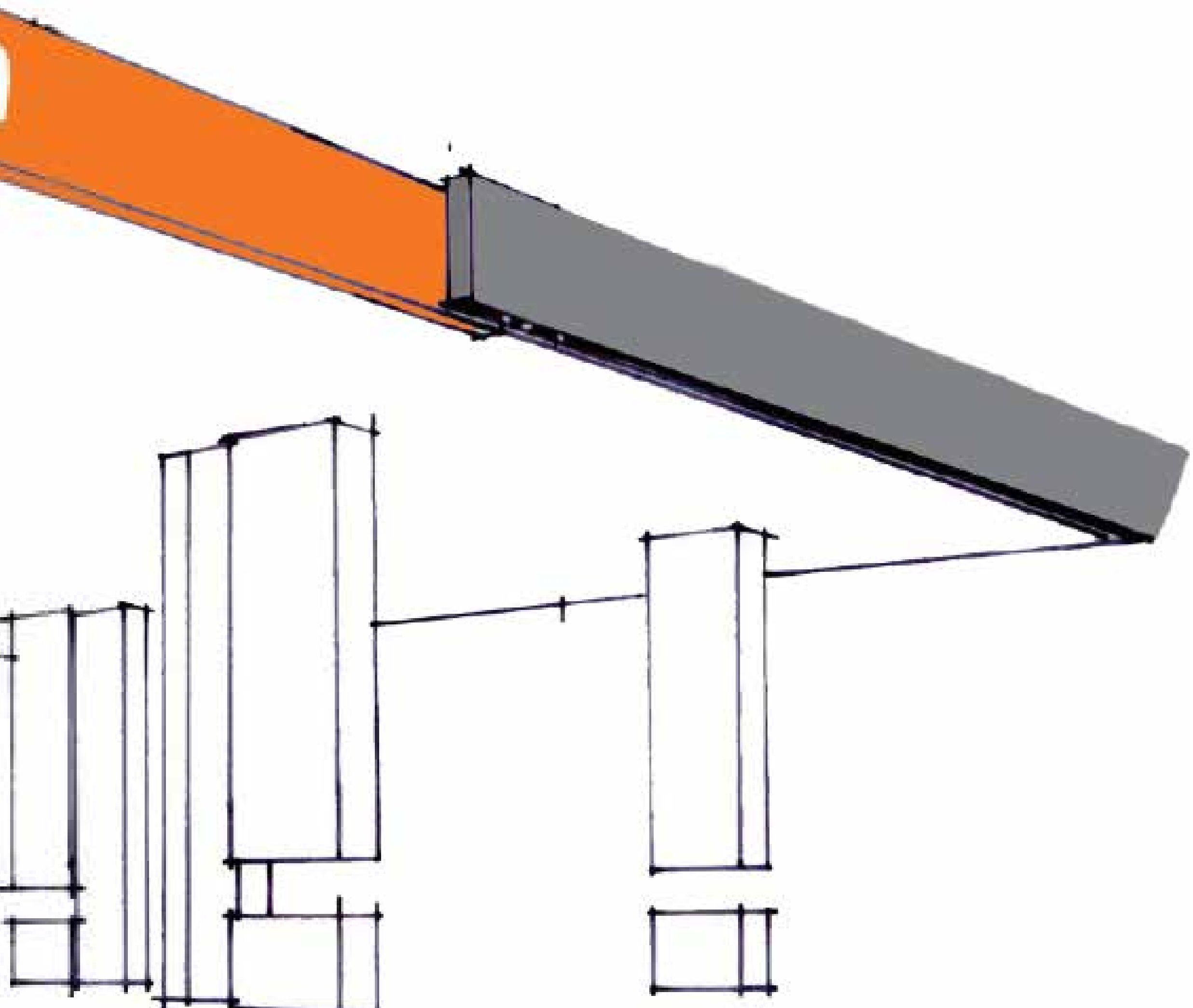
BOARD OF DIRECTORS

Turaif Mohammad Baqer Al-Awadhi	Chairman
Talal Ahmed AlKhars	Vice Chairman & CEO
Eng. Jaber Ahmad Ghadanfar	Board Member
Hani Fawaz Abdulrahman	Board Member
Asaad Ahmad Al-Saad	Board Member
Essa Ibrahim Al-Mousa	Board Member
Mishaal Yaqoub Al-Omar	Board Member
Khalid Saleh Al-Aso'si	Board Member
Jaber Mohammed Al-Hajri	Board Member




Car Service

Executive Managers

Talal Ahmed AlKhars
Vice Chairman & CEO

Eng. Jaber Ahmed Ghadanfar
Executive Vice President Project & Technical Support Services

Abdullah Ibrahim Ashkanani
VP, Business Development

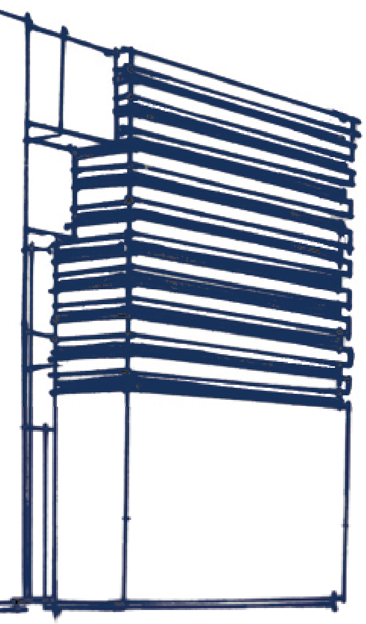
Hani Mohammed Al-Qallaf
VP, Human Resources & Administration

Salem Khader Al-Hasawi
VP, Sales, Marketing and PR

Ihab Gamil Ishak
VP, Finance & Accounting

Eng. Taha Ahmad Alkhars
VP, Technical Services

Eng. Abdulamir Mallah Al-Jazzaf
VP, Operations & logistics Services



Turaif Mohammad Baqer Al-Awadhi
Chairman

BOARD OF DIRECTORS REPORT

Dear shareholders,

Greetings, and May peace be upon you.
On behalf of myself and my fellow colleagues, members of the Board of Directors, I am pleased to present to you the Annual Report of Al-Soor Fuel Marketing and the audited financial statements for the fiscal year ending 31 December 2016, through which we were able to achieve positive results despite the difficult economic side effects , which were represented in changing the prices of oil products ,based on the decision of the Cabinet of Ministers adopted at its meeting No. (33/2016) on 01/08/2016, which was implemented as of 01/09/2016.

In 2016, we have managed to achieve with the help of Allah- a series of outstanding achievements and success reflected in the reopening of Hawalli fuel station in No. 34 on February 4, 2016 and Jaleeb Al-Shouyoukh fuel station No. 46, on October 31, 2016,as new activities were introduced at the stations (Express Service Center - Auto Washing Service - Central Market Building).Over & above, due to our keen regard to materialize customer satisfaction and answer their growing needs, Al Soor Fuel Marketing Company has increased the number of pumps in the newly developed islands to a total of nine fuel pumps at Hawalli fuel station No. 34, and eight fuel pumps at the Jaleeb Al-Shouyoukh fuel station No. 46, to provide the customers with all fuel products, in addition to adding diesel product in both stations to serve small cars and large tankers.Furthermore, Al-Soor Fuel Marketing Company has completed the second phase of development & restructure of Jahra Fuel Station No. 9 of the installing Fuel & Diesel island, in addition to starting of the third phase of the renovation, which include automatic carwash, manual carwash and quick service areas.The company's achievements have not stopped at this point, but have exceeded them and completed the execution of the fuel stations' environmental projects that include Vapor Recovery System and the Petroleum Spillage Drainage Project in Jahra fuel station No. 9, Qadisyia fuel station No.22 , Sulibikhat fuel station No. 27, Fahaheel fuel station at No. 30, Hawalli fuel station at No. 34 and Jaleeb Al Shouyoukh fuel station in No. 46.

Soor Fuel marketing company has adopted a clear strategy that aims at upgrading & renovating its services and operations, taking into consideration a set of goals that serve the customers first and focus on meeting their requirements, as we strive to continue to lead and excellence in everything we offer to serve the customers.Subsequently, the company achieved a net profit that reached KD 3,400,805 in the year 2016 and the total sales amounted to KD 116,963,19 while earning per share (EPS) reached 8.48 fils with an increase in shareholders' equity by 2.82% amounted to KD 59,263,918. These figures reflect the strong financial position of the company that strives to reach the best financial results and deliver future growth.

In conclusion, I would like to express the highest gratitude and appreciation to His Highness the Amir of the State of Kuwait, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, may Allah protect him, His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, may Allah protect him, as well as our customers and shareholders for the confidence that have entrusted to us. I would like also to extend my deepest gratitude to the governmental authorities in Kuwait for their support; mainly the Kuwait Petroleum Corporation, KNPC, Environment Public Authority, Kuwait Fire Service Directorate, Kuwait Municipality and the State Land Management Department for their constant support and efforts towards achieving the prestige and credibility our business deserves as well as helping us accomplish further success and growth for years to come.
May Allah Grant us Success

Turaif Mohammad Baqer Al-Awadhi
Chairman

ACHIEVEMENTS

Developing and Restructuring Petrol Stations

• Continuing the implementation fuel stations' environmental projects, which include Vapor Recovery System and the Petroleum Spillage Drainage Project in Jahra fuel station No. (9), Qadisiya fuel station No. (22), Sulaibikhat fuel station No. (27) and Fahaheel fuel station No. (30), Hawalli fuel station No. (34) and Jaleeb Al-Shuyuokh fuel station in area No. (46).

• The Completion of development and restructure in fuel station no. (34) In Hawalli and station no. (46) in Jleeb Al Shuyoukh to each include quick service, automatic carwash service and central market. Moreover, more fuel dispensers were added to make a total of 9 fuel dispensers in Hawalli fuel station no. (34) and 8 in station no. (46) in Jleeb Al Shuyoukh with various petroleum products to serve a larger number of customers, in addition to providing the diesel product in both stations to serve small and large vehicles.

• Completion of phase 2 of the development and restructure of Jahra fuel station no. (9) for the fuel and diesel islands, in addition to building and renovating phase 3 that includes automatic carwash and quick service area.

• The Completion of development and restructure of Fahaheel fuel station No. 30, to include automatic carwash service and central market. Moreover, more fuel dispensers were added to make a total of 4 fuel dispensers with various petroleum products to serve a larger number of customers.

• The Completion of development and restructure in fuel station No. 22 Qadisiya, to includ automatic carwash service, with a waiting room for customers and 2 extra fuel tanks.

• Cooperating with Trolley Convenience Store to invest in the central market building in Fahaheel fuel station no. (30).

• Contracting with Auto Quest to provide cars quick service at Hawalli fuel station No. (34)

Marketing Achievements

The Social Responsibility :

• Soor company for Fuel Marketing has offered a special offer for the zahhab.com website, which includes all the study notes available for all university students in the State of Kuwait to support our youth and to promote our products.

• Soor Fuel Marketing Company has sponsored the shooter "Farah Ismail" to participate in the "The Gun Fire Arm Training Course" held in Sri Lanka.

• Soor Fuel Marketing Company has sponsored the shooter "Sarah Al Hawal" during her participation in the Asian Shooting Championship in India.

• Soor Fuel Marketing Company has sponsored The Proteges Program , which is designed to positively influence young people and drive them towards achieving their potentials and ambitions.

* Sales Development:

• The number of prepaid and prepaid customers has increased by 56.16% in comparison to the year 2015.

• The percentage of postpaid and prepaid cards is increased by 18% in comparison to the year 2015.

• Updating and developing the customer service website to better serve the customers.

• During the year 2016, Soor Fuel Marketing has signed a contract with the with the Public Authority for Housing Welfare, the Ministry of Awqaf and Islamic Affairs and the Ministry of Education.

Achievements of the Operations and Logistics Services Sector

• Passing the audit of theCode of Practice (COP) by the regulatory body which is represented by Kuwait National Petroleum Company (KNPC) for all the stations of Soor Fuel Marketing company with a distinguished grade in comparison to the previous year at a high rate exceeding the percentage of 90% and many stations passed with a rate of 99%.

• Train and educate all station supervisors in all shifts for the COP audit.

• Training of 6 batches of new station supervisors for the managing and operating of gas stations (theoreticaly – practicaly)

• Issuance of the station operation manual.

• Applying a recycling system in the stations through the development of waste separation containers (papers - plastic - metals).

• Spreading awareness in all stations regarding rationing of water and electricity consumption.

• Updating the assets of the stations in line with COP requirements.

• Honoring the outstanding employees in the Operations and Logistics Services Sector.

• Disposal of hazardous waste in accordance with the requirements of the Public Authority of Environment.

• Updating the procedures of dealing with the accidents for the safety of staff and station attendees.

• Using Eco friendly washing materials in the automatic carwash stations

• Replacing of the old generators with new eco friendly generators to avoid noise pollution.

• Developing the suggestions and complaints system and communicating them to the Top Management, which led to positive results in the field of business development.

• Unification of uniforms for all the workers in stations.

Safety, Environment, Health and Quality

• Improving the performance of safety, health, environment and quality by establishing a potential risks recordbook and an environmental aspects record and circulating them to all stations.

• Adopting a circulation electronic system to reduce the use of paper.

• Updating the emergency and response procedures to include regulatory requirements, including fire extinguishers, alarm system and …etc.

• Implementation of the inspection plan for all the fuel stations on a quarterly and monthly basis.

• New Safety Passports were issued to all station workers, including contractors and investors in accordance with the updated safety passports.

• Training the company's main building employees and one of the stations employees for the mock evacuation and evaluating the training process.

Human and Administrative Resources

• Achieving 100% of recruiting Kuwaiti labor in the fuel stations in 2016.

• Training of 80 newly appointed national labor in cooperation with a certified training institute in the safety, health and environment programs that tackle the dangers of fire and first aid.

• In collaboration with the workforce-restructuring program, the training plan for the year 2016 was executed to qualify national cadres who were recently recruited technically and administratively on the highest standards through utilizing globally certified training institutes.

• Training 79 new supervising employees on managing and operating petrol stations theoretically and practically.

Training the Station Supervisors on the following points:

a. Increase the percentage of sales.
b . Rationing of accident rates.
c. Rationing of water and electricity consumption
d. Dealing with petroleum spills.
e. Customer Service.
f. Emergency plan.
g. Fire Fighting.
h. Controling of work risks.

Training the Stations Security men on the following points:

a. Customer Service.
b. Dealing with accidents.
c. Dealing with petroleum spills.
d. Increase of the percentage of sales.
e. Traffic regulation.
f. Emergency plan.

Training Station Workers on the following points:

a. Customer Service.
b. Fundamentals of the work of the fuel seller
c. Emergency Plan.
d. Fire fighting.
e. Dealing with petroleum spills

Future Plans

• Continue executing the environmental projects in the other fuel stations in the midst of the stations' restructure and development according to the 5-year plan certified by Kuwait National Petroleum Company KNPC.

• The restructure, development and rebuilding of Salwa fuel station no. (13) and Mubarakiya-Bayan fuel station no. (61).

• The renovation of Shuaibah Road - Al-Ada'mi fuel station No. (43), Ras Al-Zour fuel station No. (19) and Saad Al Abdullah City fuel station No. (108), in the last quarter of 2017.

• Continue the third phase construction and development of Jahra fuel station no. (9) that includes automatic carwash service and cars quick service.

•Contribute in reducing Soor Fuel Marketing Company's operational expenses in coordination with the concerned departments.

• Continue the path to development and progress of our fuel stations and automatic carwash by coordinating with all the departments of the company.

• Based on SHEQ statistics on accidents for the last three years, we aim to reduce the accident rate compared to the previous year by 10% (the number of accidents in 2016 was 292 incidents, we aim to reduce the number of incidents this year to 263 accidents only).

• Due to the increase of accidents of Safety Break in 2016 with the percentage of 21.7% compared to 2015 (147 incidents in 2016 compared to 115 accidents in 2015). We aim to reduce this high ratio by 10% compared to 2016 (the accidents of Safety Break should not exceed 132 accidents) through the training of new workers.

• Continue the policy of reducing the use of paper through the adoption of the electronic circulation system for the stations, which contributes in the achievement of the objectives.

• Organizing training courses for the appointed employees by issuing and implementing work permit procedures.

• Promote the role of social media in presentation of the company and spread awareness of Safety, Health, Environment and Quality.

• Complying with all regulatory authority requirements as per HSEQ FIC at SOOR stations, and targeting a minimum score of 90% at all stations, and a minimum average of 95%.


THANK
YOU

THANK YOU

A WORD OF THANKS

Soor Fuel Marketing Company expresses its sincere gratitude and appreciation to all those who contributed to the success of the company during the financial year 2016.

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 for our local economy to activate the wheel of development.

We would also like to extend our thanks and gratitude for Kuwait Petroleum Corporation, Kuwait National Petroleum Company and the Ministry of Finance for their valuable help and continuous advice. We especially thank the General Authority of Environment, General Directorate of Fire and Kuwait Municipality.

Soor Fuel Marketing Company extends great recognition to all the employees for their devotement and hard work that led to the great achievements last year. Thanks to their commitment and cooperation among themselves and with the company, our success had been built and will continue to progress, grow and spread.

Thank you all for your efforts and your continued support. We grow and evolve with you and by you…

Soor Fuel Marketing Company

AL SOOR FUEL MARKETING COMPANY
K.S.C.P.
AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2016

Building a better working world

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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BAKER TILLY KUWAIT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)
Key Audit Matters (continued)

a) *Impairment of investment in associates*

As at 31 December 2016, the Group has recognised an impairment loss of KD 1,152,519 on associates as disclosed in note 8. The impairment test of investment in associates performed by the management is significant to our audit because the assessment of recoverable amounts of associates are based on value-in-use or fair value less costs to sell. The value-in-use basis is complex and requires considerable judgment on the part of management. Estimates of future cash flows are based on management's views of variables such as the growth in the relevant industry sector, economic conditions such as the economic growth and expected inflation rates and yield. Also, fair value less cost of disposal requires considerable judgment on the part of management. Estimates of fair values are based on management's views of market multiples derived from a set of comparable entities and considering qualitative and quantitative factors specific to the measurement. Therefore, we identified the impairment testing of the associates as a key audit matter.

We assessed the knowledge and expertise of the management of the Group to perform such assessment. Our audit procedures included:

- Assessing the appropriateness of the valuation technique used and evaluating the key assumptions used by the Group in determining the fair value less cost to sell including benchmarking the key inputs such as growth rates and discount rates to relevant industry and economic forecasts;
- We agreed the underlying cash flows to approved budgets and assessed growth rates and discount rates by comparison with third party information and relevant risk factors, also considering the historical accuracy of budgeting and forecasting and the understanding of the reasons for growth profiles used;
- We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the consolidated financial statements of the Group.

We also assessed the adequacy of the Group's disclosures regarding those assumptions, which are disclosed in Note 8 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Valuation and impairment of financial assets available for sale

As at 31 December 2016, the Group has financial assets available for sale carried at cost less impairment. These financial assets do not have a quoted price in an active market and whose fair values cannot be reliably measured. If the financial assets available for sale witnessed objective evidence, which indicates a decline in value, an impairment loss is recognized in the consolidated statement of income. The assessment whether objective evidence of impairment exists for individual financial assets can be subjective in nature and involve various assumptions considering the qualitative and quantitative factors.

The assessment whether objective evidence of impairment exists for individual financial assets, this is considered a key audit matter.

We also evaluated the Group's assessment whether objective evidence of impairment exists for individual financial assets and the qualitative and quantitative factors used such as the investee's financial performance including dividends, financial condition and operations, and its market and economic environment. Finally, we assessed the completeness and accuracy of the disclosures relating to financial assets available for sale in note 10 to the consolidated financial statements.

Other information included in the Group's 2016 Annual Report

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

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

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

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

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

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

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

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BAKER TILLY
KUWAIT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, and its executive regulation, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, and its executive regulation, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI	DR. SAUD HAMAD AL-HUMAIDI
LICENCE NO. 68 A	LICENSE NO. 51 A OF DR. SAUD
EY	HAMAD AL-HUMAIDI PARTNERS
AL AIBAN, AL OSAIMI & PARTNERS	MEMBER OF BAKER TILLY
	INTERNATIONAL

22 March 2017
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2016

	Notes	***2016*** ***KD***	*2015* *KD*
Sales		**116,963,194**	104,560,363
Cost of sales	21	**(104,503,018)**	(92,034,618)
Operating expenses		**(7,813,067)**	(6,754,096)
Gross profit		**4,647,109**	5,771,649
Other income		**2,846,993**	2,096,089
Realized gain on sale of investment property		**-**	880,179
Rental income		**243,520**	370,420
Net investment income (loss)	4	**150,206**	(745,634)
Share of results of associates		**206,740**	130,476
Impairment loss on investment in associates	8	**(1,152,519)**	-
Administrative expenses		**(2,377,641)**	(2,770,151)
Staff cost		**(901,021)**	(984,799)
Allowance for impairment of trade receivables	11	**(53,758)**	(357,998)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND DIRECTORS' REMUNERATION		**3,609,629**	4,390,231
Contribution to KFAS		**(32,487)**	(39,512)
NLST		**(90,241)**	(109,756)
Zakat		**(36,096)**	(43,902)
Directors' remuneration	14	**(50,000)**	(50,000)
PROFIT FOR THE YEAR		**3,400,805**	4,147,061
BASIC AND DILUTED EARNINGS PER SHARE	5	**8.48 fils**	10.34 fils

The attached notes 1 to 26 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	*2015*
	KD	*KD*
Profit for the year	**3,400,805**	4,147,061
Other comprehensive income		
Items that are or may be reclassified subsequently to the consolidated statement of income:		
Change in fair value of financial assets available for sale	**230,869**	42,374
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,631,674**	4,189,435

The attached notes 1 to 26 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	***2016*** ***KD***	*2015* *KD*
ASSETS			
Non-current assets			
Property and equipment	6	**17,368,991**	14,748,792
Intangible assets	7	**13,623,422**	14,368,768
Investment properties	9	**4,422,873**	4,453,072
Investment in associates	8	**2,027,787**	3,329,963
Financial assets available for sale	10	**15,655,366**	12,469,092
		53,098,439	49,369,687
Current assets			
Inventories		**656,254**	376,445
Accounts receivable and prepayments	11	**6,947,600**	6,117,872
Financial assets at fair value through profit or loss	12	**65,280**	71,680
Cash, bank balances and term deposits	13	**12,022,073**	17,165,368
		19,691,207	23,731,365
TOTAL ASSETS		**72,789,646**	73,101,052
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**40,470,758**	40,470,758
Statutory reserve	15	**4,248,824**	3,887,861
Voluntary reserve	16	**4,248,824**	3,887,861
Treasury shares	17	**(760,279)**	(760,279)
Cumulative changes in fair value reserve		**429,074**	198,205
Retained earnings		**10,626,717**	9,952,530
Total equity		**59,263,918**	57,636,936
Liabilities			
Non-current liability			
Employees' end of service benefits		**636,539**	434,789
Current liabilities			
Accounts payable and accruals	18	**12,889,189**	14,029,327
Term loan	19	**-**	1,000,000
Total liabilities		**13,525,728**	15,464,116
TOTAL EQUITY AND LIABILITIES		**72,789,646**	73,101,052

Turaif Mohammad Baqer Al Awadhi
(Chairman)

Talal Ahmad Al-Khars
(Vice Chairman & CEO)

The attached notes 1 to 26 form part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Cumulative change in fair value reserve KD*	*Retained earnings KD*	*Total KD*
Balance at 1 January 2016	40,470,758	3,887,861	3,887,861	(760,279)	198,205	9,952,530	57,636,936
Profit for the year	-	-	-	-	-	3,400,805	3,400,805
Other comprehensive income for the year	-	-	-	-	230,869	-	230,869
Total comprehensive income for the year	-	-	-	-	230,869	3,400,805	3,631,674
Cash dividend paid (Note 14)	-	-	-	-	-	(2,004,692)	(2,004,692)
Transfer to reserves	-	360,963	360,963	-	-	(721,926)	-
Balance at 31 December 2016	**40,470,758**	**4,248,824**	**4,248,824**	**(760,279)**	**429,074**	**10,626,717**	**59,263,918**
Balance at 1 January 2015	38,543,579	3,448,838	3,448,838	(760,279)	155,831	8,610,694	53,447,501
Profit for the year	-	-	-	-	-	4,147,061	4,147,061
Other comprehensive income for the year	-	-	-	-	42,374	-	42,374
Total comprehensive income for the year	-	-	-	-	42,374	4,147,061	4,189,435
Issue of bonus shares	1,927,179	-	-	-	-	(1,927,179)	-
Transfer to reserves	-	439,023	439,023	-	-	(878,046)	-
Balance at 31 December 2015	40,470,758	3,887,861	3,887,861	(760,279)	198,205	9,952,530	57,636,936

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Notes	***2016 KD***	*2015 KD*
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST, and Zakat		**3,559,629**	4,340,231
Adjustments to reconcile profit for the year to net cash flows:			
Realized gain on sale of investment property		**-**	(880,179)
Net investment (income) loss	4	**(150,206)**	745,634
Share of results of associates		**(206,740)**	(130,476)
Impairment loss on investment in associates		**1,152,519**	-
Depreciation and amortisation	6,7,9	**1,721,263**	1,432,332
Provision for employees' end of service benefits		**211,301**	101,516
Allowance for impairment of trade receivables	11	**53,758**	357,998
		6,341,524	5,967,056
Changes in the working capital:			
Inventories		**(279,809)**	(17,581)
Accounts receivable and prepayments		**(883,486)**	(103,495)
Accounts payable and accruals		**(1,040,814)**	(13,996)
Cash flows from operations		**4,137,415**	5,831,984
Employees' end of service benefits paid		**(9,551)**	(2,859)
KFAS paid		**(39,512)**	(39,110)
NLST paid		**(121,922)**	(108,657)
Zakat paid		**(46,714)**	(43,460)
Directors' fees paid		**(50,000)**	(50,000)
Net cash flows from operating activities		**3,869,716**	5,587,898
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(3,565,917)**	(3,522,435)
Acquisition of investment in associate	8	**-**	(2,315,453)
Purchase of financial assets available for sale		**(3,105,405)**	(1,743,153)
Proceeds as part of ongoing liquidation and dividend received from an associate	8	**356,397**	-
Proceeds from disposal of investment property		**-**	2,250,000
Term deposits		**3,000,000**	(1,000,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**-**	268,288
Investment income received		**306,606**	398,920
Net cash flows used in investing activities		**(3,008,319)**	(5,663,833)
FINANCING ACTIVITIES			
Term loan	19	**-**	1,000,000
Repayment of term loan		**(1,000,000)**	-
Cash dividend		**(2,004,692)**	-
Net cash flows (used in) from financing activities		**(3,004,692)**	1,000,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,143,295)**	924,065
Cash and cash equivalents at 1 January		**6,165,368**	5,241,303
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**4,022,073**	6,165,368

The attached notes 1 to 26 form part of these consolidated financial statements

1 CORPORATE INFORMATION

Al Soor Fuel Marketing Company K.S.C.P. (the "Parent Company") is a Kuwaiti shareholding company incorporated on 20 March 2006 and commenced its operations on 9 May 2006. The Parent Company's shares were listed on the Kuwait Stock Exchange on 30 June 2008.

The consolidated financial statements of the Parent Company and its subsidiary (collectively the "Group") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors' on 6 March 2017 and are subject to the approval of the general assembly of shareholders. The ordinary general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after their issuance.

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

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

- Acquisition, establishment, leasing, operating, and maintenance of petrol stations;
- Establishing, developing, operating and maintaining customer service centers at petrol stations, to provide all automobile services including the changing of oil, car wash, maintenance workshop services and technical check-ups;
- The ability to fill and store fuel;
- To ship and trade in petroleum products in bulk or retail;
- The purchase, lease, acquisition, and sale of land and real estate in different locations for the purpose of compliance with the company's activities;
- Utilizing the financial surpluses of the Group by investing them in portfolios of specialised companies and entities.

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of measurement
The consolidated financial statements of the Group are prepared under the historical cost convention as modified for the revaluation at fair value of financial assets at fair value through profit or loss and financial assets available for sale.

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

2.2 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following amendments to IFRS relevant to the Group and effective as of 1 January 2016:

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Annual Improvements 2012-2014 Cycle

These improvements include:

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

- *The materiality requirements in IAS 1*
- *That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated*
- *That entities have flexibility as to the order in which they present the notes to financial statements*
- *That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to consolidated statement of income.*

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

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 *Employee Benefits*
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 *Financial Instruments: Classification and Measurement*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 *Financial Instruments: Classification and Measurement (continued)*
Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of this standard will have an effect on the classification and measurement of the Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group plans to adopt the new standard on the required effective date. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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

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

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

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

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

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

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company reporting date using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

The subsidiary of the Group is as follows:

Name of the company	*Country of incorporation*	*Principal activities*	*Interest in equity %*	
			2016	*2015*
Advantage for Establishing Central Markets Company K.S.C. (Closed)*	*Kuwait*	*Operating Central Markets*	**96%**	96%

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

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

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

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

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

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

Taxation
National Labour Support Tax (NLST)
The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

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

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

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

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

• Buildings on leasehold land	15 years
• Installations and equipment	5-15 years
• Furniture and fixtures	1-5 years
• Motor vehicles	5 years

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Contracts backlog
Contracts backlog acquired separately are measured at cost on initial recognition. Contracts backlog 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 Contracts backlog over their estimated useful lives (3 years).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

Leasehold right
Leasehold right acquired is measured on initial recognition at cost. Following initial recognition, leasehold rights are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Leasehold right is amortised over their useful economic life (30 years) and assessed for impairment whenever there is an indication that the leasehold right may be impaired. The amortisation period and the amortisation method for leasehold right is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on leasehold rights is recognised in the consolidated statement of income.

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

License
License acquired separately is measured at cost on initial recognition. License acquired in business combination have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of license over their estimated useful lives (30 years).

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

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

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

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

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

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

Under the equity method, the investment in associates is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment. The estimated life of the buildings is 40 years and is depreciated on a straight line basis. Land on which the property is constructed is not depreciated.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the cost at the date of change in use.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and short-term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, bank balances and short-term deposits, as defined above.

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

Financial assets
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held to maturity, receivables and loan, or financial assets available for sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of not at fair value through statement of income, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group’s financial assets include receivables, financial assets available for sale and financial assets at fair value through profit or loss.

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

Financial assets available for sale
Financial assets available for sale include equity and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through statement of income. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and non-trading financial assets designated upon initial recognition as at fair value through statement of income. Financial assets at fair value through profit or loss are remeasured at fair value with all changes in fair value being recorded in the consolidated statement of income. Transaction costs associated with the acquisition of financial assets at fair value through profit or loss are expensed as incurred.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in consolidated statement of income.

Non-trading financial assets may be designated at initial recognition as financial assets designated as at fair value through statement of income if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a Group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment and risk management strategy.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)
The Group evaluated its financial assets at fair value through profit or loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through consolidated statement of income using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

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

Impairment and uncollectibility of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from fair value reserve and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; an increase in their fair value after impairment loss is recognised directly in the cumulative change in fair value reserve.

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

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

The Group's financial liabilities include term loan and trade and other payables.

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Fair values of financial instruments
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model and price to book model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 26 for further disclosures.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An analysis of fair value of financial instruments and further details as to how they are measured are provided in note 26.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Classification of investments as fair value through profit or loss depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as financial assets at fair value through profit or loss. All other investments are classified as financial assets available for sale.

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

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

Impairment of trade receivables
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

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

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

Factors that are considered important which could trigger an impairment review include the following:
- significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments; and
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Useful lives of property and equipment
The Group's management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of goodwill and intangible assets with finite and indefinite useful life
Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income as the expense category that is consistent with the function of the intangible assets.

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

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

4 NET INVESTMENT INCOME (LOSS)

	2016 ***KD***	*2015* *KD*
Interest income	**185,166**	165,203
Impairment loss on financial assets available for sale (Note 10)	**(150,000)**	(1,082,958)
Unrealised loss from financial assets at fair value through profit or loss	**(6,400)**	(7,040)
Realised gain on sale of financial assets at fair value through profit or loss	-	(54,556)
Dividend income	**121,440**	233,717
	150,206	(745,634)

5 BASIC AND DILUTED EARNINGS PER SHARE

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

	2016	*2015*
Profit for the year (KD)	**3,400,805**	4,147,061
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	**400,991,834**	400,991,834
Basic and diluted earnings per share	**8.48 fils**	10.34 fils

6 PROPERTY AND EQUIPMENT

	Buildings on leasehold land KD	*Installations and equipment KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost:						
At 1 January 2016	**4,873,528**	**6,825,212**	**1,567,970**	**63,924**	**8,962,555**	**22,293,189**
Additions	**-**	**82,133**	**3,751**	**-**	**3,480,033**	**3,565,917**
Transfers	**4,160,696**	**821,318**	**-**	**-**	**(4,982,014)**	**-**
At 31 December 2016	**9,034,224**	**7,728,663**	**1,571,721**	**63,924**	**7,460,574**	**25,859,106**
Depreciation:						
At 1 January 2016	**495,938**	**5,610,781**	**1,400,200**	**37,478**	**-**	**7,544,397**
Charged for the year	**357,356**	**416,314**	**160,713**	**11,335**	**-**	**945,718**
At 31 December 2016	**853,294**	**6,027,095**	**1,560,913**	**48,813**	**-**	**8,490,115**
Net carrying amount:						
At 31 December 2016	**8,180,930**	**1,701,568**	**10,808**	**15,111**	**7,460,574**	**17,368,991**
Cost:						
At 1 January 2015	2,199,051	6,207,394	1,561,625	29,924	8,772,760	18,770,754
Additions	-	63,419	6,345	34,000	3,418,671	3,522,435
Transfers	2,674,477	554,399	-	-	(3,228,876)	-
At 31 December 2015	4,873,528	6,825,212	1,567,970	63,924	8,962,555	22,293,189
Depreciation:						
At 1 January 2015	339,899	5,372,587	1,155,769	26,562	-	6,894,817
Charged for the year	156,039	238,194	244,431	10,916	-	649,580
At 31 December 2015	495,938	5,610,781	1,400,200	37,478	-	7,544,397
Net carrying amount:						
At 31 December 2015	4,377,590	1,214,431	167,770	26,446	8,962,555	14,748,792

Fuel stations are constructed on land leased from the Government of Kuwait. Capital work in progress represents major renovations and significant improvements being carried out at the fuel stations. Notwithstanding the contractual term of the lease for leasehold land, these are amortised over 30 years based on common practice in Kuwait for similar lands. Certain leasehold lands are registered in the name of related parties who have confirmed in writing that the Group is the beneficial owner of these leasehold lands.

Depreciation expense is allocated between operating expenses of KD 773,670 (2015: KD 394,233) and administrative expenses of KD 172,048 (2015: KD 255,347) in the consolidated statement of income.

7 INTANGIBLE ASSETS

	Goodwill KD	*Contracts backlog KD*	*Leasehold Rights KD*	*Licenses KD*	*Software KD*	*Total KD*
Cost:						
At 1 January 2016	**210,483**	**555,877**	**19,087,811**	**1,725,128**	**363,494**	**21,942,793**
At 31 December 2016	**210,483**	**555,877**	**19,087,811**	**1,725,128**	**363,494**	**21,942,793**
Amortisation:						
At 1 January 2016	**-**	**555,876**	**6,150,515**	**555,876**	**311,758**	**7,574,025**
Charged for the year	**-**	**-**	**636,260**	**57,504**	**51,582**	**745,346**
At 31 December 2016	**-**	**555,876**	**6,786,775**	**613,380**	**363,340**	**8,319,371**
Net carrying amount:						
At 31 December 2016	**210,483**	**1**	**12,301,035**	**1,111,748**	**155**	**13,623,422**
Cost:						
At 1 January 2015	210,483	555,877	19,087,811	1,725,128	363,494	21,942,793
At 31 December 2015	210,483	555,877	19,087,811	1,725,128	363,494	21,942,793
Amortisation:						
At 1 January 2015	-	555,876	5,514,255	498,372	260,132	6,828,635
Charged for the year	-	-	636,260	57,504	51,626	745,390
At 31 December 2015	-	555,876	6,150,515	555,876	311,758	7,574,025
Net carrying amount:						
At 31 December 2015	210,483	1	12,937,296	1,169,252	51,736	14,368,768

Amortisation expense is allocated between operating expenses of KD 693,764 (2015: KD 693,764) and administrative expenses of KD 51,582 (2015: KD 51,626) in the consolidated statement of income.

8 INVESTMENT IN ASSOCIATES

Details of an associate are as follows:

Name of the company	*Country of incorporation*	*Principal activity*	*Effective equity interest*	
			2016	*2015*
Metalex Energy Company K.S.C. (Closed)	*Kuwait*	*Contracting services for oil sector*	**35%**	35%
United Foodstuff Industries Group Company K.S.C.P.	*Kuwait*	*General Trading Activities*	**26.9%**	26.9%

The movement of the investment in associates during the year is as follows:

	2016 KD	*2015 KD*
Carrying value at 1 January	**3,329,963**	884,034
Acquisition of investment in an associate	-	2,315,453
Share of results of associates (Note 4)	**206,740**	130,476
Dividend received	**(44,897)**	-
Proceeds as part of ongoing liquidation of an associate *	**(311,500)**	-
Impairment loss on investment in associates **	**(1,152,519)**	-
Carrying value at 31 December	**2,027,787**	3,329,963

* During the year ended 31 December 2016, the Group received proceeds as part of ongoing liquidation of its associate "Metalex Energy Company K.S.C. (Closed)" in the form of cash amounting to KD 311,500.

** During the year ended 31 December 2016, the Group has assessed the recoverability of its investment in associates and accordingly has recorded an impairment with total amount of KD 1,152,519 (31 December 2015: Nil) in the consolidated statement of income, as below:

a) Metalex Energy Company K.S.C. (Closed)
The Group calculated the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognised the loss as "Impairment loss on investment in associates" in the consolidated statement of income amounted to KD 572,534 (2015: Nil). The recoverable amount represents the fair value less cost of disposal. Fair value less cost of disposal is based on the fair value of underlying assets and liabilities of the associates.

b) United Foodstuff Industries Group Company K.S.C.P.
The Group calculated the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognised the loss as "Impairment loss on investment in associates" in the consolidated statement of income amounted to KD 579,985 (2015: Nil). The recoverable amount represents value in use which was determined by estimating its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment. The following rates are used by the Group:

Discount rate	13.14%
Projected annual average growth rate for net profit	21.62%
Terminal growth rate	3%

The calculation of value-in-use is sensitive to projected annual average growth rate for net profit of the associate discount rate and terminal growth rate.

Discount rate
Discount rate reflects the current market assessment of the risk specific to the associate, which is located in Kuwait and specialised in production of food. The discount rate was estimated based on the average percentage of a weighted cost of capital for the consumer industry determined on a pre-tax basis. This rate was further adjusted to reflect the market assessment of any risks specific to the associate for which future estimates of cash flows have been adjusted after appropriate discount rate as the associate is not listed in the capital market.

8 INVESTMENT IN ASSOCIATES (continued)

Projected annual average growth rate for net profit
The associate's strategic business plan is as follows:

- Working on increase the new opening branches;
- Finding new potential markets (in GCC countries).

Sensitivity to changes in assumptions
The calculation of the value in use of the associate is sensitive to the following assumptions:

	Changes in assumptions %	***Effect on the recoverable amount KD***	
Discount rate	+ 1%	(197,179)	An increase in discount rate by 1% would result in further impairment.
Projected annual average growth rate for net profit over 5 years	- 1%	(20,278)	A decrease in projected annual average growth for net profit over 5 years by 1% would result in further impairment.
Terminal growth rate	-1%	(137,743)	A decrease in terminal growth rate by 1% would result in further impairment.

Investment in associates with total amount of KD 2,027,787 (2015: 2,315,453) are held through non-discretionary portfolio with related party (Note 21).

The following table illustrates the summarised aggregate information of the Group associates, as all associates are individually immaterial:

Summarised consolidated statement of financial position:

	2016 KD 000's	*2015 KD 000's*
Assets	**9,288,552**	13,932,828
Liabilities	**(3,745,710)**	(5,618,565)
Equity	**5,542,842**	8,314,263
Carrying amount of the investment	**2,027,787**	3,329,963

Summarised consolidated statement of income:

Revenues	**8,023,104**	8,113,337
Expenses	**(7,255,238)**	(7,628,728)
Profit for the year	**767,866**	484,609
Group's share of profit for the year	**206,740**	130,476

9 INVESTMENT PROPERTIES

	Freehold land KD	*Buildings KD*	*Total KD*
Cost:			
At 1 January 2016	3,474,033	1,208,000	4,682,033
At 31 December 2016	3,474,033	1,208,000	4,682,033
Depreciation:			
At 1 January 2016	-	228,961	228,961
Charge for the year	-	30,199	30,199
At 31 December 2016	-	259,160	259,160
Net carrying amount:			
At 31 December 2016	**3,474,033**	**948,840**	**4,422,873**
Cost:			
At 1 January 2015	4,479,233	1,590,000	6,069,233
Disposals	(1,005,200)	(382,000)	(1,387,200)
At 31 December 2015	3,474,033	1,208,000	4,682,033
Depreciation:			
At 1 January 2015	-	208,978	208,978
Charge for the year	-	37,362	37,362
Relating to disposals	-	(17,379)	(17,379)
At 31 December 2015	-	228,961	228,961
Net carrying amount:			
At 31 December 2015	3,474,033	979,039	4,453,072

* As at 31 December 2016, the fair value of the investment properties amounted to KD 5,483,000 (2015: KD 5,207,000).

The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are an industry specialised in valuing these types of investment properties, one of these valuers is a local bank.

Both valuators have used the following method:

- Developed properties which generate rental income have been valued using the income capitalisation approach assuming full capacity of the property.

All investment properties are considered under level 3 for the fair value hierarchy, and there were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

Investment properties with total amount of KD 2,669,473 (2015: KD 2,669,473) is registered in the name of a related party (Note 21), which confirmed in writing that the Group has the beneficial ownership of those properties.

10 FINANCIAL ASSETS AVAILABLE FOR SALE

	2016 KD	*2015 KD*
Managed portfolios (local equity securities):		
Quoted equity security	**1,473,178**	1,202,708
Unquoted equity securities	**14,182,188**	11,266,384
	15,655,366	12,469,092

10 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

As at 31 December 2016, unquoted equity securities of KD 14,182,188 (2015: KD 11,266,384) are carried at cost less impairment. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD 150,000 (2015: KD 1,082,958) was recognised in the consolidated statement of income for the year ended 31 December 2016 (Note 4).

Financial assets available for sale with total amount of KD 15,655,366 (2015: KD 12,469,092) held through non-discretionary portfolio with a related party (Note 21).

Hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 26.

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016	*2015*
	KD	*KD*
Trade receivables	**3,847,530**	2,943,872
Advance payment for purchase investment properties	**2,611,021**	2,651,490
Prepaid expenses	**334,865**	343,022
Other receivables	**154,184**	179,488
	6,947,600	6,117,872

As at 31 December 2016, trade receivables of KD 502,286 (2015: KD 448,528) were impaired and fully provided for.

Movements in the allowance for impairment of trade receivables were as follows:

	2016	*2015*
	KD	*KD*
Opening balance	**448,528**	90,530
Charge for the year	**53,758**	357,998
	502,286	448,528

The aging of unimpaired trade receivables at 31 December is as follows:

		Past due but not impaired			
	Total	*30 – 60 days*	*60 – 90 day*	*90 – 120 day*	*>120 days*
	KD	*KD*	*KD*	*KD*	*KD*
2016	**3,847,530**	**2,170,492**	**817,018**	**638,208**	**221,812**
2015	2,943,872	1,551,772	478,260	401,734	512,106

Receivables 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.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	*2015*
	KD	*KD*
Financial assets held for trading:		
Managed portfolio (local quoted equity securities)	**65,280**	71,680

Financial assets at fair value through profit or loss with total amount of KD 65,280 (2015: KD 71,680) is held through non-discretionary portfolio with related party (Note 21).

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

13 CASH, BANK BALANCES AND TERM DEPOSITS

Cash, bank balances and term deposits included in the consolidated statement of cash flows include the following consolidated statement of financial position amounts:

	2016	*2015*
	KD	*KD*
Cash	**21,292**	90,076
Bank balances	**4,000,781**	6,075,292
Term deposits	**8,000,000**	11,000,000
	12,022,073	17,165,368
Term deposits (maturity after 3 months from the inception date)	**(8,000,000)**	(11,000,000)
	4,022,073	6,165,368

Term deposits are placed with local banks denominated in KD and carry an effective interest rate of 2.48% (2015: 1.88%) per annum.

14 SHARE CAPITAL, CASH DIVIDEND AND BONUS SHARES

	Authorised, issued and fully paid	
	2016	*2015*
	KD	*KD*
404,707,581 shares (2015: 404,707,581) of 100 fils paid in cash and issue of bonus shares	**40,470,758**	40,470,758

Cash dividend, bonus shares and Directors' remuneration
The Annual General Meeting held on 26 April 2016, approved a distribution of 5% cash dividend of the nominal value of shares, by 5 fils per share for the year ended 31 December 2015 (2014: Nil).

The Board of Directors of the Group has proposed Directors' remuneration of KD 50,000 (2015: KD 50,000), which is within the amount permissible under local regulations and are subject to approval by annual Ordinary General Assembly Meeting of the Group's shareholders.

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

15 STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Directors' remuneration has been transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid-up share capital.

Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

16 VOLUNTARY RESERVE

In accordance with the Parent Company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST and Zakat is transferred to voluntary reserve. The Annual General Assembly of shareholders may, upon a recommendation by the Board of Directors, resolve to discontinue such annual transfers.

17 TREASURY SHARES

	2016	*2015*
Number of treasury shares	**3,715,747**	3,715,747
Percentage of ownership	**0.92%**	0.92%
Market value (KD)	**431,027**	401,301

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

18 ACCOUNTS PAYABLE AND ACCRUALS

	2016 KD	*2015 KD*
Trade payables	**9,258,037**	9,722,019
Accrued expenses	**1,056,150**	1,504,569
Dividend payables	**1,413,296**	1,022,181
Advances from customers	**1,161,706**	1,780,558
	12,889,189	14,029,327

Accounts payable amounting to KD 8,425,102 (2015: 8,846,055) are due to the major shareholders (Note 21).

19 TERM LOAN

Term loan with total amount of KD Nil (2015: 1,000,000) was obtained from one of the local bank and carries effective interest rate of Nil% (2015: 3.5%).

20 CONTINGENCIES AND COMMITMENTS

	2016 KD	*2015 KD*
Letters of guarantee	**8,097,720**	8,050,574
Capital commitments	**1,648,615**	1,782,532

The Group has entered into several lease arrangements, mainly for renting of land over which fuel stations are constructed. The future minimum lease payments under the non-cancellable operating leases as at 31 December are as follows:

	2016 KD	*2015 KD*
Not later than one year	**639,873**	607,364
After one year and not later than five years	**213,290**	202,455
	853,163	809,819

21 RELATED PARTY TRANSACTIONS

Related parties represent i.e. major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management and board of directors.

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

	Entities under common control KD	***Major shareholder KD***	***2016 Total KD***	*2015 Total KD*
Cost of sales (purchase of fuel)	-	104,503,018	**104,503,018**	92,034,618
Operating expenses	836,358	-	**836,358**	217,029
Administrative expenses	1,266,068	-	**1,266,068**	1,185,672

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

	Entities under common control KD	***Major shareholder KD***	***2016 Total KD***	*2015 Total KD*
Accounts receivable and prepayments*	2,031,000	-	**2,031,000**	1,911,000
Accounts payable and accruals*	31,508	8,425,102	**8,456,610**	8,846,055
Financial assets available for sale	13,323,588	-	**13,323,588**	12,469,092

Investment in associates with total amount of KD 2,027,787 (2015: 2,315,453) are held through non-discretionary portfolio with a related party (Note 8).

Investment properties with total amount of KD 2,669,473 (2015: KD 2,669,473) is registered by the name of related party (Note 9), which confirmed in writing that the Group has the beneficial ownership of those properties.

Financial assets available for sale with total amount of KD 15,655,366 (2015: KD 12,469,092) held through non-discretionary portfolio with a related party (Note 10).

Financial assets at fair value through profit or loss with total amount of KD 65,280 (2015: KD 71,680) is held through non-discretionary portfolio with a related party (Note 12).

* Amounts due to/from Entities under common control that are interest free and due within one year from the reporting date (Note 9).

	2016 KD	*2015 KD*
Key management compensation		
Short-term benefits	**370,854**	352,888
Employees' end of service benefits	**27,522**	22,472
	398,376	375,360

22 SEGMENTAL INFORMATION

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

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

22 SEGMENTAL INFORMATION (continued)

31 December 2016	***Fuel marketing and other related services KD***	***Investment operations KD***	***Unallocated KD***	***Total KD***
Segment revenue	116,963,194	(795,573)	3,090,513	119,258,134
Depreciation and amortization	1,409,930	172,048	139,285	1,721,263
Segment results	**3,931,689**	**(795,573)**	**264,689**	**3,400,805**

31 December 2015	*Fuel marketing and other related services KD*	*Investment operations KD*	*Unallocated KD*	*Total KD*
Segment revenue	104,560,363	265,021	2,466,509	107,291,893
Depreciation and amortization	1,030,494	292,709	146,491	1,432,332
Segment results	4,664,969	265,021	(509,759)	4,420,231

	Fuel marketing and other related services KD	***Investment operations KD***	***Unallocated KD***	***Total KD***
Segment assets as at 31 December 2016	**65,262,761**	**7,507,048**	**19,837**	**72,789,646**
Segment liabilities as at 31 December 2016	**10,742,743**	**1,413,296**	**1,369,689**	**13,525,728**
Segment assets as at 31 December 2015	63,726,669	9,369,835	4,548	73,101,052
Segment liabilities as at 31 December 2015	12,954,137	1,022,181	1,487,798	15,464,116

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2016 and 2015.

23.1 Credit risk

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

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

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.1 Credit risk (continued)

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

The maximum exposure to credit risk at the reporting date was:

	2016	*2015*
	KD	*KD*
Cash, bank balances and term deposits (Note 13)	**12,022,073**	17,165,368
Trade and other receivables (Note 11)	**4,001,714**	3,123,360
	16,023,787	20,288,728

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

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Concentration of credit risk is represented by one major customer representing 42% (2015: 32%) of the trade receivables balance. The Group is not exposed to credit risk from such customer as it is a governmental entity.

23.2 Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Company periodically assess the financial viability of the receivables and ensures that adequate bank facilities are available.

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

All the financial liabilities of the Group are due within one year from the consolidated statement of financial position date.

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

	On demand KD	***Less than 3 months KD***	***3 to 12 months KD***	***Total KD***
2016				
Accounts payable and accruals	**954,168**	**11,475,893**	**459,128**	**12,889,189**
2015				
Accounts payable and accruals	1,022,181	12,430,103	577,043	14,029,327
Term loan	-	1,011,667	-	1,011,667

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of foreign currency risk, interest rate risk and equity price risk. The sensitivity analyses in the following sections relate to the position as at 31 December in 2016 and 2015.

23.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency).

At the reporting date, the Group is not exposed to foreign currency risk as majority of the assets and liabilities are denominated in Kuwaiti Dinars.

23.3.2 Interest rate risk

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

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

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit, based on fixed interest rates and financial liabilities held at 31 December. The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	Increase/decrease in basis points	*Effect on profit for the year KD*
2016	±100	**80,000**
2015	±100	100,000

23.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity price risk on its investments held at fair value through profit or loss. The Group manages this risk through diversification of investments in terms of industry concentration.

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

	Market indices	*Increase/decrease in stock prices (%)*	*Effect on profit for the year KD*
2016			
Financial assets held at fair value through profit or loss	Kuwait	± 5	**± 3,264**
Financial assets available for sale	Kuwait	± 5	**± 73,659**
2015			
Financial assets held at fair value through profit or loss	Kuwait	± 5	± 3,584
Financial assets available for sale	Kuwait	± 5	± 60,135

24 CAPITAL MANAGEMENT

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

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

Capital comprises of share capital, statutory reserve, voluntary reserve, treasury shares and retained earnings and is measured at KD 58,834,844 as at 31 December 2016 (2015: KD 57,438,731).

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of, accounts receivable and prepayments, accounts payable and accruals at the year-end is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on the management estimate of liquidation of those assets.

31 December 2016	***Within 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
Assets				
Property and equipment	-	-	17,368,991	17,368,991
Intangible assets	-	-	13,623,422	13,623,422
Investment in associates	-	-	2,027,787	2,027,787
Investment properties	-	-	4,422,873	4,422,873
Financial assets available for sale	-	-	15,655,366	15,655,366
Inventories	-	656,254	-	656,254
Accounts receivable and prepayments	3,557,718	2,940,103	449,779	6,947,600
Financial assets at fair value through profit or loss	-	65,280	-	65,280
Cash, bank balances and term deposits	4,022,073	8,000,000	-	12,022,073
TOTAL ASSETS	**7,579,791**	**11,661,637**	**53,548,218**	**72,789,646**
Liabilities				
Employees end of service benefits	-	-	636,539	636,539
Accounts payable and accruals	10,671,333	2,217,856	-	12,889,189
TOTAL LIABILITIES	**10,671,333**	**2,217,856**	**636,539**	**13,525,728**

31 December 2015	*Within 3 months* KD	*3 to 12 Months* KD	*1 to 5 Years* KD	*Total* KD
Assets				
Property and equipment	-	-	14,748,792	14,748,792
Intangible assets	-	-	14,368,768	14,368,768
Investment in associates	-	-	3,329,963	3,329,963
Investment properties	-	-	4,453,072	4,453,072
Financial assets available for sale	-	-	12,469,092	12,469,092
Inventories	-	376,445	-	376,445
Accounts receivable and prepayment	3,278,708	2,238,051	601,113	6,117,872
Financial assets at fair value through profit or loss	-	71,680	-	71,680
Cash, bank balances and term deposits	6,165,368	11,000,000	-	17,165,368
TOTAL ASSETS	9,444,076	13,686,176	49,970,800	73,101,052
Liabilities				
Employees end of service benefits	-	-	434,789	434,789
Accounts payable and accruals	10,744,200	3,285,127	-	14,029,327
Term Loan	1,000,000	-	-	1,000,000
TOTAL LIABILITIES	11,744,200	3,285,127	434,789	15,464,116

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities as defined in Note 2.

The fair values of financial instruments with the exceptions of certain financial assets available for sale carried at cost (Note 10) are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December:

2016	*Level 1 KD*	*Total KD*
Financial assets at fair value through profit or loss		
Managed portfolio (local quoted equity securities)	**65,280**	**65,280**
	65,280	**65,280**
Financial assets available for sale		
Managed portfolios (local equity securities):		
Quoted equity security	**1,473,178**	**1,473,178**
	1,473,178	**1,473,178**

2015	*Level 1 KD*	*Total KD*
Financial assets at fair value through profit or loss		
Managed portfolio (local quoted equity securities)	71,680	71,680
	71,680	71,680
Financial assets available for sale		
Managed portfolios (local equity securities):		
Quoted equity security	1,202,708	1,202,708
	1,202,708	1,202,708

As at 31 December 2016, certain financial assets available for sale are carried at cost amounting to KD 14,182,188 (2015: KD 11,266,384) since the fair value cannot be reliably be measured.

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

CORPORATE GOVERNANCE REPORT
SOOR FUEL MARKETING CO. S.A.K

Introduction

Corporate governance rules are represented in the principles, systems and procedures that achieve the best protection and balancing between the interests of companies and shareholders management therein and other stakeholders associated with them. The main aim from the application of governance rules is to ensure that the company matches the objectives of the shareholders in a manner that enhances the trust of shareholders in the efficiency of the performance of the company and its capability of facing crises. Corporate governance rules organize taking all decisions inside the company and enhance the transparency and credibility of such decisions. The most important objectives of deciding governance rules are to protect shareholders, segregate the authority between the executive management running the works of the company and the board of directors that prepares and reviews plans and policies in this company in a manner that gives assurance and enhances the feeling of confidence in dealing therewith. Further, it enables shareholders and stakeholders to efficiently control the company.

Corporate governance rules handled a set of principles and basic requirements, on which the rational governance bases are based as well as the application methodology of such rules and principles. The methodology outlines the indicative ways of the good activation mechanism of governance principles including the existence of a balanced structure of the board of directors including nonexecutive and independent members, the statement of the responsibilities and competences of both of the board of directors and the executive management, stressing the ensured fairness of financial reports, the necessity of providing good risks management and internal control systems, caring for the enhancement of professional conduct and moral values, the importance of the availability of disclosure and transparency mechanisms, the protection of shareholders' rights, the realization of the role of stakeholders, the elimination of the conflict of interests, the improvement of performance and stressing the social importance falling upon companies' shoulders.

In line with the positive steps taken by Capital Markets Authority (CMA) through the regulations, systems and decisions, through which it seeks for improving work environment, transparency and shareholders' protection. Whereas the company seeks for applying all rules, legislations and decisions, it endeavors at all times to focus its efforts on working on the application of all laws and decisions in the due professional manner and at the stated time.

FIRST RULE:

CONSTRUCT A BALANCED BOARD COMPOSITION

- The role of the board of directors represents the balancing point that works on achieving shareholders' objectives and following up the company by the executive management whereas the board of directors seeks for achieving the strategic objectives of the company through executive management's performance of the tasks assigned thereto in the best manner.

- Whereas the board decisions affect significantly the performance of the company and the safety of its financial position, the company cared for having its board of directors consisted of a sufficient number of members (9 members), which allows it to form the required number of derivative committees within the framework rational governance rules' requirements. In forming the board of directors, the variety of specialized experiences and tasks were taken into consideration in a manner that contributes to the enhancement of efficiency in decision-making.

- Most board members are from nonexecutive members. The board includes an independent member. Further, the board of directors of the company allocates sufficient time for reviewing the tasks and responsibilities assigned to it including the preparation for the meetings of the board and its derivative committees along with caring for attending them and in addition to organizing the meetings of the board of directors of the company according to the provisions of the law and rational governance rules.

- A special register was created for recording board minutes of meetings in sequential numbers of the year, in which the meeting was held, and showing the place of the meeting, its date as well as starting and ending time. The board appointed a secretary for the board from the staff of the company (Ihab Gameel Is-haq – Vice President, Finance & Accounts) along with determining his duties according to the governance rules of the company and in a manner that matches the responsibilities assigned to him.

- The duties and responsibilities of both, the board of directors and the executive management were clearly specified in the policies and regulations approved by the board of directors and in a manner that reflects the balance in powers and authorities between the board of directors and the executive management in addition to not letting any of the parties to have the sole and absolute authority in order to facilitate the operations of the company.

Formation of Board of Director of SOOR Fuel Marketing Co.

Name	*Member classification*	Scientific Qualification	*Practical Experience*	*Election/ Secretary Appointment Date*
Mr. Tarif Mohammed Al-Awadi	Nonexecutive	Bachelor of Business administration	19 years in business administration	2-6-2016
Mr. Talal Ahmed Al-Khars	Executive	Bachelor of Science	19 years in business administration and development	2-6-2016
Mr. Jaber Ahmed Ghadanfar	Executive	Bachelor of Engineering	35 years in engineering works	2-6-2016
Mr. Essa Ibrahim Al-Mousa	Nonexecutive	Bachelor of Computer Science	18 years in computer systems management, technological, technical and engineering services.	2-6-2016
Mr. Meshaal Yaqoub Al-Omar	Nonexecutive	Bachelor of Arts	16 years in real-estate field.	2-6-2016
Mr. Hani Fawwaz Abdulrahman	Nonexecutive	Bachelor of Business Administration Master in Financing	27 years in the financial, investment and risk management field	2-6-2016
Mr. Asaad Ahmed Al-Saad	Nonexecutive	Bachelor in Mechanical Engineering	37 years in the oil refinery sector and petrochemicals sector	2-6-2016
Mr. Khalid Saleh Al-Ass'ousi	Nonexecutive	Bachelor of Engineering	30 years in the oil sector	2-6-2016
Mr. Jaber Mohammed Al-Hajeri	Independent	Secondary School	29 years in media field	2-6-2016

Board Meetings of the Company

Name	Member Classification (Executive/ Nonexecutive/ Independent), Secretary	Meeting No. (2) dated 08/05/2016	Meeting No. (3) dated 11/05/2016	Meeting No. (4) dated 14/06/2016	Meeting No. (5) dated 20/06/2016 20/06/2016	Meeting No. (6) dated 26/06/2016	Meeting No. (7) dated 26/07/2016	Meeting No. (8) dated 14/11/2016	Meeting No. (9) dated 15/11/2016
Mr. Tarif Mohammed Al-Awadi	Nonexecutive	✓	✓	✓	✓	✓	X	✓	✓
Mr. Talal Ahmed Al-Khars	Executive	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Jaber Ahmed Ghadanfar	Executive	✓	X	✓	✓	✓	✓	✓	✓
Mr. Essa Ibrahim Al-Mousa	Nonexecutive	✓	✓	✓	✓	✓	X	✓	✓
Mr. Meshaal Yaqoub Al-Omar	Nonexecutive	✓	✓	✓	✓	✓	X	✓	✓
Mr. Hani Fawwaz Abdulrahman	Nonexecutive	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Asaad Ahmed Al-Saad	Nonexecutive	✓	✓	✓	✓	✓	X	✓	✓
Mr. Khalid Saleh Al-Ass'ousi	Nonexecutive	✓	X	✓	✓	✓	✓	✓	✓
Mr. Jaber Mohammed Al-Hajeri	Independent	X	✓	✓	✓	✓	✓	✓	✓

The first meeting dated 10-3-2016 includes the previous board members. The board of director was reelected in the general assembly meeting whereas the first meeting after election is dated 08-05-2016.

Requirements of Registration, Coordination and Keeping of Company's Board Minutes of Meetings

- We have a special register wherein the board minutes of meetings are recorded in sequential numbers of the year, in which the meeting was held, and showing the place of the meeting, its date as well as starting and ending time in addition, softcopies of such minutes of meetings are kept
- A board secretary was appointed from the employees of the company based on a board decisions along with fixing his duties and responsibilities
- The secretary shall record all decisions and discussions made among the members along with recording results of the voting on decisions and working on coordinating and keeping all documents and papers to be discussed during meetings

SECOND RULE:

ESTABLISH APPROPRIATE ROLES & RESPONSIBILITIES

THE CORPORATE GOVERNANCE FRAMEWORK APPROVED BY THE BOARD OF DIRECTORS SHALL REFLECT THE DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS:

- Approving significant strategies, plans and policies of the company including:
    - Establishing objectives of performance, controlled execution and comprehensive performance of the company.
    - Updating organizational and job charts in the company and conducting periodic audits thereof.
    - Preparing the capital structure of the company and its financial objectives.
- Declaring the annual estimated budgets and approving the quarterly and annual financial statements.
- Participating in achieving the profits of the company.
- Supervising the main capital expenses of the company, owning assets and disposing of the same.
- Ensuring the extent of the company's compliance with policies and procedures that ensure its respect of the applicable internal systems and regulations by the support of both the audit committee and the risks committee deriving from the board.
- Being liable to questioning by the shareholders and assuming the responsibility before the relevant stakeholders.
- Following up the performance of each member of the board of directors and the executive management according to objective KPIs by the support of the nominations and remuneration committee deriving from the board.
- Approving the corporate governance report so that it can be read in the general assembly of the company and which includes the requirements and procedures of corporate governance rules' completion and to what extent they are adhered to.
- Forming specialized committees deriving from the board according to a charter showing the term, validity and responsibilities of the committee and how the board controls the same. Further, the formation decision includes nominating members, fixing their tasks, rights and duties in addition to evaluating the performance and works of such committees and the key members therein. Audit committee, risks management committee and nominations and remuneration committee were formed as per the detail shown in this report.
- Taking decisions in the issues requiring board approval according to the provisions of the laws or internal systems of the company.
- Ensuring the accuracy and integrity of data and information that must be disclosed.

The corporate governance framework approved by the board shall reflect the tasks and responsibilities of the chairman in conformity with corporate governance rules and which are summarized as follows:

- Ensuring efficient and timely discussion of all main issues by the board.
- Supporting and assisting the executive management.
- Representing the company before third parties according to what is stipulated in the company article of association.
- Encouraging all board members to completely and efficiently participate in running board affairs in order to ensure that the board behaves for the interest of the company.
- Ensuring actual communication with shareholders and conveying their opinions to the board of the directors.
- Encouraging constructive relationships and efficient participation between both of the board and the executive management.
- Creating a culture encouraging constructive criticism on the issues, around which there is a different viewpoints among board members.

The company has a highly qualified teamwork of executive management. The corporate governance framework reflects the tasks and responsibilities of the executive management that it complies with in light of the authorities and powers authorized and approved by the board of directors and which are summarized as follows:

- Working on the application of all policies, regulations and internal systems of the company and which are approved by the board of directors.
- Implementing the annual strategy and plans approved by the board of directors.
  Preparing periodic reports concerning the progress achieved in the business of the company in light of the strategic plans and objectives of the company.
- Managing daily work and running business in addition to ideally managing the resources of the company and working on maximizing profits and reducing costs in conformity with the objectives and the strategy of the company.
- Maintaining the development and construction of moral values culture inside the company.
- Establishing internal control and risks management systems for ensuring the efficiency and sufficiency of such systems and caring for risks trend compliance approved by the management of the company.
- Developing IT infrastructure for providing data and information necessary for decision-making in conformity with the expansive requirements of the company and its strategy.
- Preparing KPIs of company's employees and evaluating their periodically completed tasks.
- Creating a clear work mechanism in relation with following up regulatory decisions and decisions related to the work nature of the company for ensuring its application and the compliance therewith.

BOARD COMMITTEES

INTERNAL AUDIT COMMITTEE

- Formation date: 20-06-2016
- Validity: expiring along with the expiration of the board of directors.

Board Members	Title	Classification
Mr. Hani Fawwaz Abdulrahman	*Committee Head*	Nonexecutive Board Member
Mr. Essa Al-Mousa	*Committee Member*	Nonexecutive Board Member
Mr. Jaber Mohammed Al-Hajeri	*Committee Member*	Independent Member

Number of meetings held in 2016: 5 meetings

TASKS AND ACHIEVEMENTS OF THE COMMITTEE DURING 2016:

- Familiarity with and knowledge of the committee's responsibilities.
- Recommending the approval of the internal audit policy after reviewing it.
- Recommending the appointment of an internal auditor of the company.
- Reviewing the periodic financial statements before being presented to the board of directors, showing opinion and recommening in its respect to the board of directors with an aim of ensuring the justice and transparency of financial reports and ensuring the integrity and fairness of financial reports and internal control systems of the company as the company held its periodic meetings, in which financial reports were reviewed and the committee raised a recommendation to the board of directors for approval.
- Studying the observations of external auditors on the financial statements of the company.
- Reviewing the expenses and dealings with relevant parties and providing appropriate recommendations in connection therewith to the board of directors.
- Evaluating to what extent the internal control systems applicable inside the company are sufficient and preparing a report including the opinion and recommendations of the company in this regard.
- Technically supervising the internal audit unit in the company for verifying the extent of its efficiency in executing the works and tasks specified by the board of directors.
- Recommending entering into contract with Al-Eiban and Al-Qatami (Grant Thornton) for preparing internal control system report and internal audit reports.
- Reviewing and deciding the proposed audit plans and showing observations thereon as the committe reviewed during its perioic meetings the internal audit plan of the company.
Recommending to the board of directors on appointing, re-appointing, changing or fixing the fees of the external auditors.

RISKS MANAGEMENT COMMITTEE

- Formation Date: 20-06-2016
- Validity: Expiring along with the expiration of the board of directors.

Board Members	Title	Classification
Mr. Hani Fawwaz Abdulrahman	Committee Head	Nonexecutive Board Member
Mr. Talal Ahmed Al-Khars	Committee Member	Executive Board Member
Mr. Jaber Mohammed Al-Hajeri	Committee Member	Independent Member

- Number of meetings held in 2016: 2 meetings

Tasks and Achievements of the Company during 2016:

- Recommending the appointment of risks in-charge.
- Ensuring the availability of sufficient resources and systems for risks' management.
- Evaluating statement and measurement systems and mechanisms of different types of risks, to which the company is liable, for determining its deficiency aspects.
- Helping the board of directors determine and evaluate the acceptable risks level in the company and ensure that the company does not exceed such level of risks after being approved by board of directors.
- Preparing and reviewing work strategies and methodology of risks management unit and raising the same to the board of directors.
- Reviewing the tasks and responsibilities of the committee.
- Reviewing the risks policy and raising a recommendation to the board on its approval.

Nominations and Remuneration Committee

- Formation Date: 20-06-2016
- Validity: Expiring along with the expiration of the board of directors.

Board Members	Title	Classification
Mr. Meshaal Yaqoub Al-Omar	*Committee Head*	Nonexecutive Board Member
Mr. Talal Ahmed Al-Khars	*Committee Member*	Executive Board Member
Mr. Jaber Mohammed Al-Hajeri	*Committee Member*	Independent Member

Number of meetings held in 2016: 2 meetings

Tasks and Achievements of the Company during 2016:

- Recommending the acceptance of the nomination and re -nomination of board members and executive management members.
- Reviewing remuneration policy of the board and executive management members.
- Creating job descriptions of executive, non-executive and independent members.
- Ensuring the maintenance of independency by the independent member.
- Preparing a detailed annual report on all remunerations granted to board and executive management members and ensuring that the report is to be submitted to the general assembly of the company for approving the same and it shall be recited by the chairman.
- Reviewing the tasks and responsibilities of the committee.
- Reviewing the remuneration policy and presenting a recommendation to the board for its approval.

THIRD RULE:

RECRUIT HIGHLY QUALIFIED CANDIDATES FOR MEMBERS OF A BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT.

- The board of directors formed the Nomination and remuneration committee consisting of three members including one independent member and its head is a nonexecutive member.
- The committee prepared a clear policy for granting remunerations to board and executive management members.
- The committee prepared a detailed annual report on all remunerations granted to board and executive management members based on objective KPIs and such report will be presented to the general assembly for approval and it shall be recited by the chairman.

FOURTH RULE:

ENSURED INTEGRITY OF FINANCIAL REPORTS WRITTEN UNDERTAKINGS BY BOTH OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT AS TO THE INTEGRITY OF PREPARED FINANCIAL STATEMENTS.

The integrity and fairness of financial statements of the company are the most important indicators denoting the fairness and credibility of the company in presenting its financial status, which increases the trust of shareholders and investors in the data and information made available by the company and disclosed to its shareholders. The executive management of the company undertakes to the board of directors in writing that the financial reports of the company are properly and fairly presented and that they discuss all financial aspects of the company including operational data and results. Further, they are prepared according to the international accounting standards approved by the authority. Further, the annual report raised to the shareholders by the board of directors of the company includes an undertaking as to the integrity of all financial statements as well as the reports relevant with the business of the company as the said undertakings contribute to the enhancement of the questioning process, whether questioning the executive management by the board of directors or that of the board of directors by the shareholders.

Formation of Audit Committee

The company formed an internal audit committee of three members from the nonexecutive board members including the independent member and they are of specialized experiences consistent to the nature of the company's business. It enjoys full independence and includes a member holding scientific qualifications and a practical experience in accounting and financial fields. The board fixed the membership period of the committee and its work method. Further the powers and responsibilities of the audit committee were shown within its work charter approved by the board of directors. The committee met five times during 2016 and discussed several subjects within its powers and tasks.

Note: In event there is any conflict between the recommendations of the audit committee and the board decisions, the board of directors of SOOR Fuel Marketing Company shall include a detailed and clear statement of the recommendations and the reason or reasons beyond the decision taken by the board of directors for not adhering thereto.

Independence and Neutrality of External Auditor of the Company

The ordinary general assembly of the company appoints/reappoints the auditor of the company based on a board proposal. The nomination of the auditor shall be based on a recommendation from the audit committee. The audit committee shall take into consideration that the external auditor is recorded in the related register in the authority so as he is fulfilling all conditions provided for in the requirements of the authority's decision concerning auditors' registration system. Further, it shall ensure that the external auditor is independent from the company and the board of directors thereof and that he does not carry out additional works for the company and which do not fall within the audit works and which may affect neutrality and indepenency.

FIFTH RULE:

APPLY SYSTEMS OF RISK MANAGEMENT AND INTERNAL AUDIT.

A vice president for risks management sector was appointed based on a recommendation from the risks committee to the board of directors for determining and measuring the risks, to which the company is liable. There is available in the organization chart of the company an independent risks management unit and which mainly works on measuring and following up the elimination of all types of risks facing the company.

Risks Management Committee

The risks management committee was formed consisting of three board members including the independent member. The board fixed the membership period of committee members and its work method. further the powers and responsibilities of the risks committee were shown within its work charter approved by the board of directors. the committee met twice during 2016 andiscussed several subjects within its powers and tasks.

Summary of Internal Control Systems

There is available in the company internal control systems covering all activities of the company and which work on maintaining the financial integrity of the company, the accuracy of its data and the efficiency of its operations from all aspects. Further, the organization chart of the company took into account the internal control principles of the double control process (Four Eyes Principles) represented in the proper determination of authorities and responsibilities, full segregation of tasks, non-conflict of interests, double inspection and control, double signature through the availability of financial and administrative structure and procedures and procedures related to the operations of the company in addition to IT systems prepared and designed based on tasks segregation principle among different departments and positions concerned.

Application of Independent Internal Audit Department/office/Unit Requirements

The company entered into contract with an independent external office for managing the internal audit operations (Al Eiban and Al Qatami Grant Thornton), which enjoys full independence and of vast technical experience in the field of internal auditing. There is available in the organization chart of the company an internal audit in-charge reporting to the audit committee and the board of directors for following up audit works in co-ordination with the external auditors.

SIXTH RULE:
Promote Code of Conduct and Ethical Standards.

The consolidation of professional behavior and moral values culture inside the company enhances the investor's confidence in the fairness of the company and the integrity of its financial statements, whereas the compliance of board and executive management members and all laborers in the company with the internal policies and regulations as well as legal and regulatory requirements shall lead to the achievement of interests of all parties relevant with the company, especially the shareholders, with no conflict of interests and with a high degree of transparency. The board of directors of SOOR Fuel Marketing Co. established a work charter including professional behavior and moral values related criteria and determinants.

SEVENTH RULE:
Ensure timely and High Quality Disclosure and Transparency.

The accurate disclosure is one of the basic features and methods for following up the business of the company and evaluating its performance as it contributes to shareholders and investors' familiarity with the structures and activities of the company as well as the policies applied by the company in addition to evaluating the performance of the company in connection with the moral criteria. The board of directors established, through the corporate governance framework, mechanisms and systems for accurate and transparent presentation and disclosure and which determines disclosure sides, fields and properties. The board of directors cares for periodically reviewing the disclosure and transparency mechanisms and systems applicable in the company.

Disclosures of Board and Executive Management Members

The company has a special register for the disclosures of board and executive management so as it includes the disclosures of the ownership percentage and the trading of company' shares in addition to the declarations and undertakings by insiders and which are updated according to the provisions of the executive regulation of the Capital Markets Authority (CMA) resoltion. Further, the company periodically updates such register in a manner that reflects the reality of the concerned parties.

Investors Affairs Organization Unit

The tasks of investors' affairs management was assigned to the Vice President of Finance & accounts and he is responsibility for making available and providing financial data, information and reports necessary for potential investors.

Development of it infrastructure and Relaying on them to Great Extent in Disclosures

The company developed IT infrastructure and which they use and rely on in all its works as it uses several programs in its different departments.
Further, the company has a vital and effective website and it includes all information and data related to the works of the company and the last developments in addition to a section related to corporate governance as the company maintains the site periodically.

EIGHTH RULE:
RESPECT OF SHAREHOLDERS' RIGHTS

The application of rational governance rules achieves a balance between the objectives of the company and those of its shareholders, protects shareholders' rights and achieves justice and equality among them. The company deals equally and with no discrimination with all shareholders and the company shall by no means hide any information or right of shareholders. Further, the company complies in doing so with all provisions of the law and the executive regulation as well as the instructions and regulatory rules issued from its side. In addition, the company's article of association, its corporate governance framework, internal regulations, procedures and rules necessary for ensuring that all shareholders practice their rights in a manner that achieves justice and equality and in conformity with the applicable laws and regulations and the decisions and instructions issued in this connection.
With purpose of continuous follow-up of all matters related to shareholders' data, the company keeps a special register with the Clearing Agency wherein shareholders' names, nationalities, addresses and the number of shares owned to each are recorded. Any changes occurring to the data recorded in such register are notated in the shareholders' register according to the data received by the company or the clearing agency. Every concerned person shall be entitled to ask the company or the clearing agency to provide him with data from such register.

NINTH RULE:
Respect the Rights of Shareholders

The company respects and safeguards the rights of stakeholders in all its dealings and internal and external dealings. Therefore, it established, within the corporate governance framework, policies including rules and procedures that ensure protection and acknowledgment of stakeholders' rights.

Encouragement of Stakeholders to Participate in Follow-up of Different Activities of the Company
For the sake of non-conflict of stakeholders' interests, whether they are contracts or transactions concluded with the company, with those of the shareholders, it should be taken into consideration that no stakeholder shall get a privilege through his dealing in contracts and transactions falling within the usual activities of the company. Further, the company establishes internal policies and regulations that ensure a clear mechanism for awarding the contracts and the transactions with its different types and through different tenders or purchase orders.

TENTH RULE:
Recognize the Roles of Stakeholders

- A training and development policy was established along with focusing on an annual training plan of board and executive management members in financial, investment, risks management, analysis, strategic planning and leadership fields and the most important consistent laws to the Capital Markets Authority.
- The company established systems and evaluations for evaluating the performance of both of the members of the board of directors and the executive management on a periodical basis and through a set of objective Key Performance Indicators (KPIs) that is associated with the extent of achievement of strategic objectives of the company, the quality of risks management and the sufficiency of internal control systems for evaluating the performance of the board of director as a whole and the contribution of each board member and every board committee as well as performance indicators of the evaluation of the executive management on a yearly basis for showing and determining strengths and weaknesses and suggesting its treatment in conformity with the interest of the company.

Corporate Values Creation with Company' Staff

The board of directors works on creating values inside the company on short, medium and long terms through establishing and providing mechanisms and procedures that work on achieving the strategic objectives of the company and improving the performance rates in a manner that efficiently contribute to the creation of corporate values with the staff and motivating them to continuous work for maintaining the financial integrity of the company.

ELEVENTH RULE:
Focus on the Importance of Corporate Social Responsibility

- SOOR Fuel Marketing Co. established a policy for achieving the balance between both of the objectives of the company and the objectives of the society and which works on developing living, social and economic conditions of the society.
- Whereas the company is interest in taking care for talented persons in different fields, the company sponsored different programs during the year including a shooting player with an aim of supporting the Kuwaiti team.
- Increasing the employment percentage of Kuwaiti staff.
- The company participated in the protection of environment from pollution and environmental damages through adopting wastes recycling throughout the company and by working on wastes' collection as a preliminary step for recycling the same.
- The company cares for cultivating and educating its staff on the objectives of the social responsibility assumed by the company in a manner to contribute the promotion of the performance level of the company and respecting all applicable laws and applications and complying with.

SOOR السور

شركة السور لتسويق الوقود ش.م.ك

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مواقع محطات شـركـة السـور لتـسـويـق الوقــود ش.م.ك
Locations Of Soor Fuel Marketing Co. Stations

رقم المحطة Station No.	المنطقة Station Name
2	Sheraton roundabout - دوار الشيراتون
5	AL-Mansouriya - المنصورية
7	AL-Dhaher - الظهر
8	Abu Hulifa - أبو حليفة
9	AL Jahra - Express Way - الجهراء- الطريق السريع
13	Salwa - سلوى
19	Ras Al Zour - راس الزور
20	Failaka Island - جزيرة فيلكا
21	Al-Faiha - الفيحاء
22	Al-Qadsiya - القادسية
25	AlSalmiya - Blajat street - السالمية - شارع البلاجات
27	Al-Sulaibikhat - الصليبيخات
30	Al-Fahaheel - الفحيحيل
32	Khaitan - خيطان
34	Hawally - Tunis Street - حولي - شارع تونس
43	Shuaiba Road - Al Ada'ama طريق الشعيبة - الأدعمي
44	Jleeb Al-Shiyoukh - جليب الشيوخ
46	Jleeb Al-Shiyoukh - جليب الشيوخ
48	Shaab Gulf Street - الشعب -شارع الخليج العربي
51	United Nations Roundabout - دوار الأمم المتحدة
53	Jahra-Water Station - الجهراء - محطة المياه
56	Rawda - الروضة
61	Al Moubarakiya - بيان - المباركية
63	Al Sabahiya - الصباحية
66	Sabah Al Salem - صباح السالم
74	Mina Abdullah - ميناء عبدالله
76	Ardiya Co-op - العارضية
80	Al-Farwaniya - الفروانية
81	Al-Sulaibiyah - الصليبية
84	Jaber Al Ali - جابر العلي
91	Al-Rabiya - الرابية
97	Al Andalous - Al Riqai - الأندلس - الرقعي
99	Al-Adan - العدان
106	Qairawan - قيروان
108	Saad Al-Abdullah - سعد العبدالله
111	Magwa - المقوع
113	Shuwaikh - الشويخ
115	Sabahiya - الصباحية
116	West Hadiya - غرب هدية
117	Hitteen - حطين
123	Al-Aquila - العقيلة
124	Massayal - المسايل

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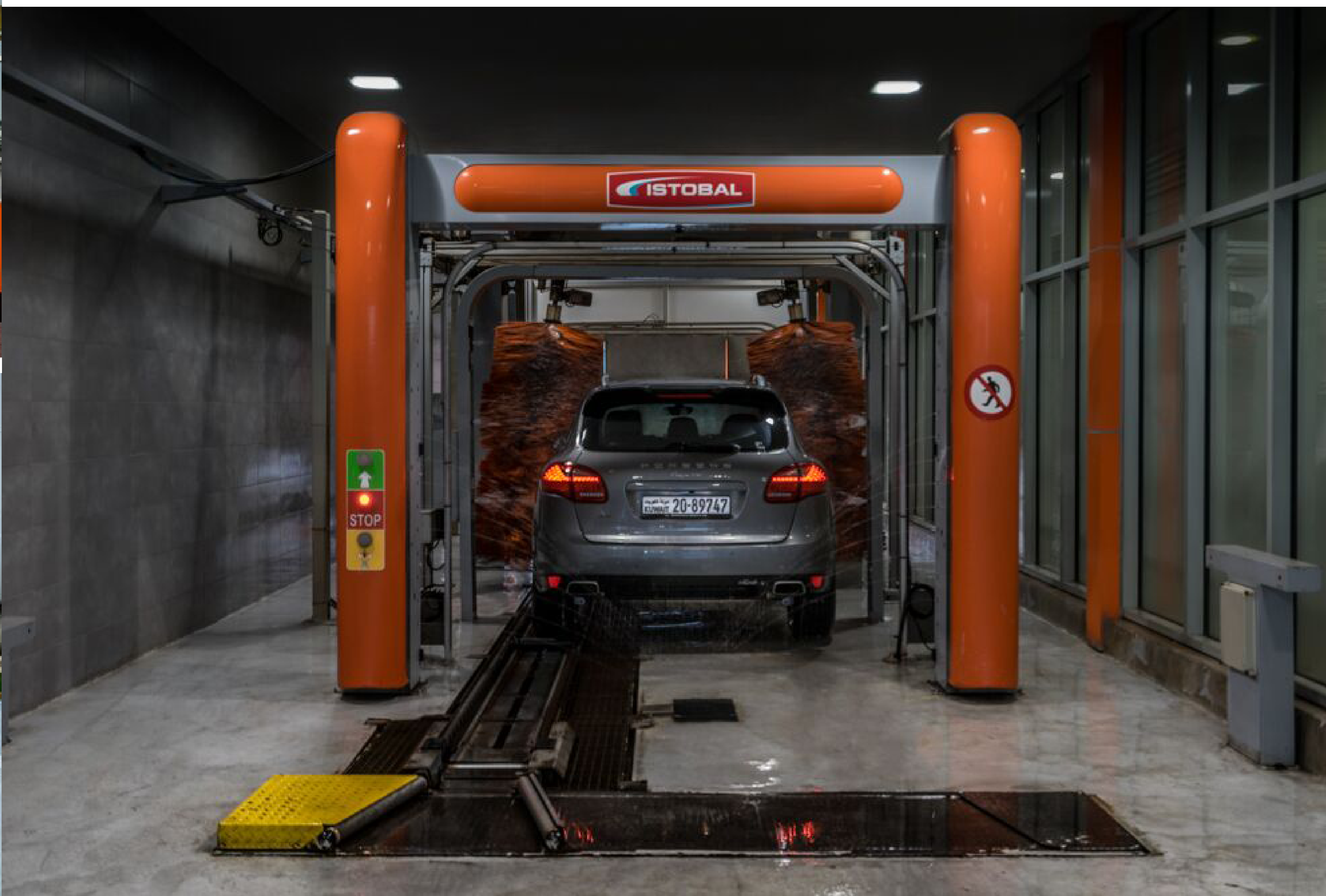
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