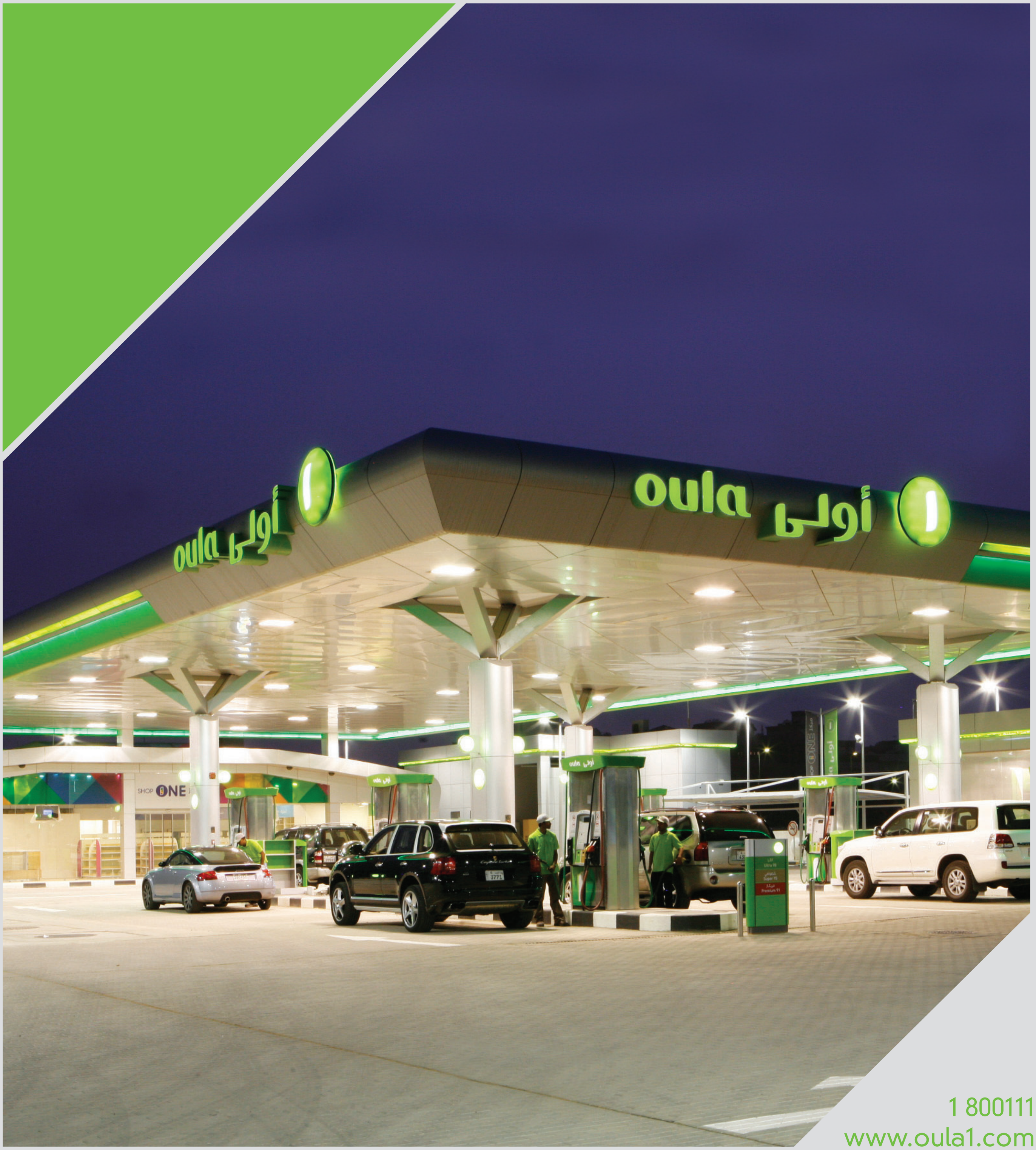
Oula Local Fuel Marketing Company K.S.C

أولى
oula

Annual Report 2009



1 800111
www.oula1.com

Welcome to our new West Mishref Service station

Oula Local Fuel Marketing Company K.S.C

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

His Highness Sheikh
Nasser Al-Mohammad Al-Jaber Al-Sabah
Prime Minister - State of Kuwait

Oula Local Fuel Marketing Company K.S.C

CONTENTS

BOARD OF DIRECTORS

Ahmed AbdulAziz Al-Ghannam	Chairman & Managing Director
Sheikh / Talal Khaled Al-Ahmad Al-Sabah	Deputy Chairman
Mrs. Hana AbdulRahman Al-Sumaie	Board Member
Mohammad Eqab Al-Khateeb	Board Member
Saud AbdulAziz Al-Babtain	Board Member
Manaf Mohammad Al-Muhanna	Board Member
Mohannad Mohammad Al-Kharafe	Board Member
Dr. Maytham Mahmoud Haidar	Board Member
Mazen Ali El-Khatib	Board Member

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of myself, and the Board of Directors, I have the pleasure to welcome you, and to present to you the financial report of Oula Local Fuel Marketing Company, highlighting the major achievements of the Company during the financial period ended 31/12/2009.

I am pleased to brief you on the company's financial results, activities, and future projects. The Company achieved a net income totaling KD 11.33 million, posting a net profit of KD 3.394 million, with expenses totaling KD 7.936 million. Total assets amounted to KD 48.670 million, and shareholders' equity totaled KD 39.278 million, while total liabilities amounted to KD 9.392 million. Earning per share stood at 11.32 Fils. In the light of the above results, the Board of Directors recommended the distribution of cash dividends at the rate of 10% of nominal value per share (i.e.,10 Fils per share).

Major Projects:

- Soft opening was made for Mubarak Al-Abdulla Station, equipped with new, sophisticated services. Construction works were completed at Kabad Station. West Shuaiba Station reached its final stages in terms of the new designs of the company's corporate identity, and will be inaugurated soon.
- The Company is in the process of contracting with a number of companies to manage the mini marts, snacks, and cafes at the new stations.
- Agreement was signed with Khidmah Company for oil change at the majority of the Company's stations, in addition to providing maintenance and repair services, and technical testing workshops, once the necessary licenses are finalized.
- The Company is in the process of setting up an integrated five-year plan to upgrade all stations in line with the Company's new design and corporate identity, together with providing all services necessary for the mutual interest of the Company and its customers.

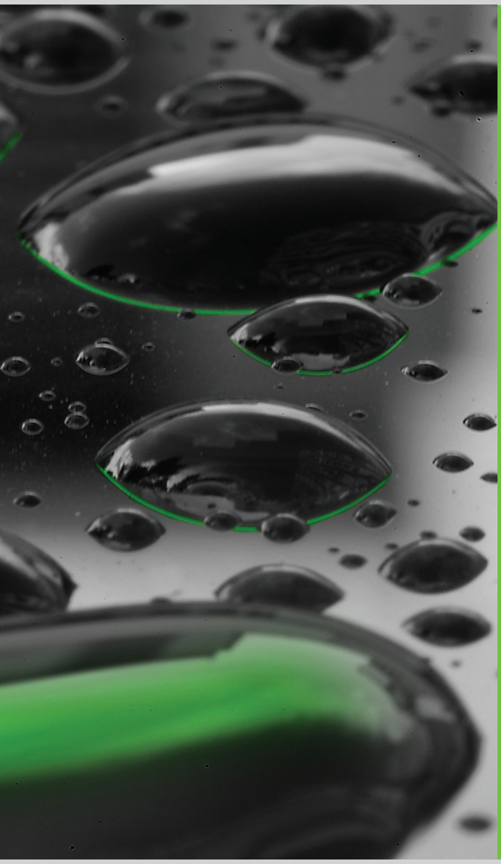
In conclusion, and on behalf of myself, and the Board of Directors, I would like to take this opportunity to extend our thanks and appreciation to all government and private sector bodies, for their fruitful cooperation and constant support to our Company.

I would also like to extend our thanks to the shareholders for their valuable confidence. We re-iterate to them our commitment to exert all efforts towards achieving their interests and growing their investments in accordance with a clear, well worked-out strategy.

Finally, I would like to extend our profound thanks to all the Company's employees, for their dedication, hard work and cooperation, looking forward to their further efforts towards optimally realizing the objectives of our Company.

Chairman & Managing Director
Ahmed AbdulAziz Al-Ghannam

Oula Local Fuel Marketing Company K.S.C



Oula Local Fuel Marketing Company K.S.C
and its subsidiary
State of Kuwait

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2009
With
INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
OULA LOCAL FUEL MARKETING COMPANY K.S.C.

Rödl
Middle East
Burgan - International Accountants

Ali Al Hassawi & Partners
P.O. Box: 22351 Safat 13084 Kuwait
Sharq – Dasman Complex – Block 2 – 9 Floor
Tel 22464574-6 /22426862-3 Fax:22414956
Email: info-kuwait@rodlme.com
www.rodlme.com

MOORE STEPHENS
INTERNATIONAL
AL NISF & PARTNERS

Al Nisf & Partners
P. O. Box 25578, Safat 13116, Kuwait
Al Jawhara Tower, 6th Floor
Khaled Ben Al-Waleed Street, Sharq, Kuwait
Tel +965 22426 999
Fax +965 22401 666

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Oula Fuel Marketing Company K.S.C ("the Parent company") and its subsidiary (together referred to as "the Group") which comprises of the consolidated statement of financial position as at 31 December 2009, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, and the Parent Company's articles and memorandum of association, as amended. In our opinion, proper books of account have been kept by the parent company, the inventory was duly carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2009, of the Kuwait Commercial Companies Law of 1960, or of the Parent Company's articles and memorandum of association, as amended that would materially affect the Group's activities or its financial position.

Ali A. Al Hasawi
Licence No. 30 - (A)
Rödl Middle East
Burgan – International Accountants
March 15, 2009
State of Kuwait

Qais M. Al-Nisf
Licence No. 38 "A"
Of Moore Stephens International
Al Nisf & Partners
Member firm of Moore Stephens International

Kuwait: 17 March 2010

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	Notes	2009	2008
Assets			
Non-current assets			
Intangible assets	6	**1,721,668**	1,786,090
Property, plant and equipment	7	**27,006,863**	26,135,658
Investment in associate	8	**452,853**	466,250
Available for sale investments	9	**4,261,038**	4,347,144
		33,442,422	32,735,142
Current assets			
Inventories		**342,945**	324,371
Trade and other receivables	10	**1,422,776**	1,357,569
Investment in wakala	11	**475,000**	30,000
Investment in murabaha	12	**1,500,000**	1,500,000
Term deposits	13	**4,100,000**	3,000,000
Cash and cash equivalents	14	**7,386,522**	7,551,721
		15,227,243	13,763,661
Total assets		**48,669,665**	46,498,803
Equity and liabilities			
Equity			
Share capital	15	**29,972,654**	29,972,654
Statutory reserves	16	**1,619,157**	1,259,477
Voluntary reserves	17	**1,619,157**	1,259,477
Fair value reserve		**(127,051)**	(81,664)
Retained earnings		**6,194,122**	6,517,169
Total equity		**39,278,039**	38,927,113
Liabilities			
Non current liabilities			
Provision for staff indemnity		**189,720**	105,176
		189,720	105,176
Current liabilities			
Trade payables and other payables	18	**1,786,059**	1,491,715
Due to related party	19	**7,415,847**	5,974,799
		9,201,906	7,466,514
Total liabilities		**9,391,626**	7,571,690
Total equity and liabilities		**48,669,665**	46,498,803

Ahmed Abdul Aziz Al-Ghannam
Chairman and Managing Director

Yousef Hassan Al-Awadhi
Deputy Managing Director for Finance & Investment

The notes on pages 12 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	Notes	2009	2008
Income		**80,331,941**	78,633,610
Cost of sales		**(70,049,452)**	(68,568,508)
Operating expenses	20	**(5,832,831)**	(4,833,203)
Gross profit		**4,449,658**	5,231,899
Group's share of results from associate's loss		**(13,397)**	-
Loss on sale of available for sale investments		**(52,656)**	(220,108)
Dividends income		**23,887**	154,726
Impairment of available for sale investments		**(18,975)**	(1,400,485)
Interest income		**450,136**	917,788
Other income		**573,488**	490,252
General and administrative expenses	21	**(1,815,345)**	(1,790,653)
Profit for the year before KFAS, NLST, Zakat provision and Directors' remuneration		**3,596,796**	3,383,419
KFAS		**(32,320)**	(30,451)
National Labor Support Tax (NLST)		**(89,323)**	(80,967)
ZAKAT		**(36,575)**	(32,486)
Directors' remuneration		**(45,000)**	(45,000)
Profit for the year		**3,393,578**	3,194,515
Earnings per share (fils)	22	**11.32 Fils**	10.66 Fils

The notes on pages 12 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	2009	2008
Profit for the year	**3,393,578**	3,194,515
Other comprehensive income/(expense) :		
Unrealised losses on available for sale investments	**(117,018)**	(1,796,635)
Transfer of loss on available for sale investments	**52,656**	220,108
Impairment loss of available for sale investments	**18,975**	1,400,485
Other comprehensive expense	**(45,387)**	(176,042)
Total comprehensive income for the year	**3,348,191**	3,018,473

The notes on pages 12 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	Share capital	Statutory reserves	Voluntary reserves	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2008	29,972,654	921,135	921,135	94,378	6,996,603	38,905,905
Comprehensive income for the year	-	-	-	(176,042)	3,194,515	3,018,473
Dividends	-	-	-	-	(2,997,265)	(2,997,265)
Transfers to reserves	-	338,342	338,342	-	(676,684)	-
Balance at 31 December 2008	29,972,654	1,259,477	1,259,477	(81,664)	6,517,169	38,927,113
Balance at 1 January 2009	**29,972,654**	**1,259,477**	**1,259,477**	**(81,664)**	**6,517,169**	**38,927,113**
Comprehensive income for the year	**-**	**-**	**-**	**(45,387)**	**3,393,578**	**3,348,191**
Dividends	**-**	**-**	**-**	**-**	**(2,997,265)**	**(2,997,265)**
Transfers to reserves	**-**	**359,680**	**359,680**	**-**	**(719,360)**	**-**
Balance at 31 December 2009	**29,972,654**	**1,619,157**	**1,619,157**	**(127,051)**	**6,194,122**	**39,278,039**

The notes on pages 12 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR"

	Note	2009	2008
Operating activities			
Profit for the year		**3,393,578**	3,194,515
Adjustment for:			
Depreciation and amortization		**1,420,014**	271,670
Provision for staff indemnity		**145,370**	51,138
Group's share of results from associate's loss		**13,397**	-
Loss on sale of available for sale investments		**52,656**	220,108
Impairment loss on available for sale investments		**18,975**	1,400,485
Dividend income		**(23,887)**	(154,726)
Interest income		**(450,136)**	(917,788)
		4,569,967	4,065,402
Movements in working capital:			
Increase in inventories		**(18,574)**	(3,414)
Decrease in trade and other receivables		**135,921**	55,979
(Decrease)/increase in trade payables and other credit accounts		**(412,048)**	100,206
(Increase)/decrease in due to related parties		**1,441,048**	(5,378,155)
Payment of staff indemnity		**(60,826)**	(6,832)
Net cash from / (used in) operating activities		**5,655,488**	(1,166,814)
Investment activities			
Purchase of property, plant & equipment		**(2,226,797)**	(2,101,754)
Investments in associates		**-**	(466,250)
Net movement in available for sale investments		**(30,912)**	(4,759,553)
Investment in wakala		**(445,000)**	(30,000)
Term deposits		**(1,100,000)**	13,308,056
Dividend income received		**23,887**	10,000
Interest income received		**249,009**	828,458
Net cash (used in) / from investing activities		**(3,529,813)**	6,788,957
Financing activities			
Dividends paid		**(2,290,874)**	(2,394,817)
Net cash used in financing activities		**(2,290,874)**	(2,394,817)
Net (decrease)/increase in cash and cash equivalent		**(165,199)**	3,227,326
Cash and cash equivalents at the beginning of year		**7,551,721**	4,324,395
Cash and cash equivalents at the end of the year	**14**	**7,386,522**	7,551,721

The notes on pages 12 to 34 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE"

1. GENERAL INFORMATION

Oula Fuel Marketing Company K.S.C ("the Parent Company") is a Kuwaiti shareholding company incorporated on 17 May 2004, as per the Amiri Decree No. 152, for the year 2004 and was registered under commercial registration No. 40 on 17 May 2004. The Group comprises the Parent Company and its subsidiary.

Details of the subsidiary are set out in Note 5.

The main objectives of the Parent Company are to provide the following services:

- Acquiring, holding, establishing, leasing, operating, and maintenance of petrol stations;
- Establishing, developing, operating and maintenance of customer service centers at fuel stations and to provide all car services including changing oil, car wash, maintenance workshop services and technical check-up;
- Provide filling and storing fuel;
- Shipment services and trading in the petroleum products by sale or purchase in bulk or retail; and
- Purchase, lease, acquisition, and sale of land and real estates in different locations in order to achieve the Company's objectives mentioned above.
- Using financial surplus available to the Group in investments of finance portfolio manage by specialist companies.

The Company's shares were listed on the Kuwait Stock Exchange on 18 December 2006.

The head office of the Company is located in Alqebla area, P.O. Box 29009, Safat 13151, State of Kuwait.

The consolidated financial statements of Oula Fuel Marketing Company K.S.C for the year ended 31 December 2009 were authorized for issue by the board of directors on 17 March 2010 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the Annual General Assembly.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

2.1 Standards adopted by the company

The following new and revised Standards have been adopted by the company:

- **IAS 1 (revised) 'Presentation of Financial Statements' - effective 1 January 2009.** The revised standard has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The group has elected to present the 'Statement of comprehensive income' as two statements: the 'Statement of Income' and the Statement of Comprehensive Income. The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (i.e.owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the reported results or financial position of the company.

- IFRS 7 'Financial Instruments - Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. The group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments. Requirements of amended standard only result in additional disclosures, there is no impact on the results of the group.
- IFRS 8 'Operating Segments'- effective 1 January 2009. The new standard which replaced IAS 14 'Segment Reporting' requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any change in the Group's reportable segments and has no impact on the reported results or financial position of group.

2.2 Standards and Interpretations in issue not yet adopted by the company

• IAS 27 (revised): Consolidated & separate financial statements	Effective for annual periods beginning on or after 1 July 2009
• IAS 28 (revised), '*Investments in Associates'*	Effective for annual periods beginning on or after 1 July 2009
• IAS 31 (Revised) Investments in Joint Ventures	Effective for annual periods beginning on or after 1 July 2009
• IAS 39 (revised), '*Financial Instruments: Recognition & Measurement*'	Effective for annual periods beginning on or after 1 January 2009 & 1 July 2009
• IFRS 3 (revised), '*Business Combinations'*	Effective for annual periods beginning on or after 1 July 2009
• IFRS 5 (revised), '*Non-current Assets Held for Sale & Discontinued Operation'*	Effective for annual periods beginning on or after 1 July 2009
• IAS 38 (amendment), *'Intangible Assets'*	Effective for annual periods beginning on or after 1 July 2009
• IAS 1 (amendment), '*Presentation of Financial Statements'*	Effective for annual periods beginning on or after 1 July 2009
• IFRIC 17 '*Distributions of Non-cash Assets to Owners'*	Effective for annual periods beginning on or after 1 July 2009
• *IFRIC 18, 'Transfers of Assets from Customers'*	Effective for annual periods beginning on or after 1 July 2009
• IAS 24 (amendment), *'Related Party Transactions'*	Effective for annual periods beginning on or after 1 January 2011
• IFRS 9 *'Financial Instruments'*	Effective for annual periods beginning on or after 1 January 2013
• *Annual improvements 2009*	Effective for annual periods beginning on or after 1 July 2009

The directors anticipate that the adoption of these Standards, amendments and interpretations in future periods will have no material financial impact on the consolidated financial statements of the group in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE"

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Commercial Companies Law of 1960, as amended.

3.2 Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") and are prepared under the historical cost convention, except for certain available for sale investments stated at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.3 Basis of consolidation

The consolidated financial statements comprise the Parent Company and its subsidiary drawn up to 31 December 2009 (refer to note 5). The subsidiary has a reporting date of 31 December.

The subsidiary is the entity over which the Parent Company has the power to control the financial and operating policies. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Equity and net income attributable to minority interests are shown separately in the statement of financial position, statement of income and statement of comprehensive income, respectively. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated on consolidation. Amounts reported in the financial statements of subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The minority interests are measured by the proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities of the subsidiary.

3.4 Business combinations

Acquisitions of subsidiary and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the parent company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in the statement of income.

3.5 Investment in associate companies

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not extend to control or joint control over those policies.

The Group's investment in associate is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the associate, less any impairment in value and the consolidated statement of income reflects the group's share of the results of operations of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

All subsequent changes to the Group's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes resulting from other comprehensive income of the associate or items recognized directly in the associate's or equity of the Group, as applicable.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealized gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

3.6 Property, plant and equipment

Property, plant and equipment except free hold land are stated in the consolidated statement of financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Right of use assets (usufruct or leased rights) over property is recognised when it is probable that future economic benefits attributable to the rights will flow to the group. They are initially recognised at cost and depreciated over the term of the rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

“ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE”

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment - Continued

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalized.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in consolidated statement of income in the period in which they occur.

3.7 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Finite

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are 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 amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Indefinite

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

3.8 Impairment of tangible and intangible assets excluding goodwill

At each financial position date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.9 Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, except for those financial assets and financial liabilities carried at fair value through statement of income, which are initially measured at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

3.9.1 Financial assets

Financial assets are classified into the ‘available for sale investments’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for sale investments (AFS)

The Group’s investments in equity securities are classified as available for sale investments and are stated at fair value or cost where information is unavailable to reliably measure the fair value. Fair value is determined in the manner described in note 25. Gains and losses arising from changes in fair value are recognized in other comprehensive income and reported within fair value reserve in equity with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated statement of income. Where the investment is disposed of or is determined to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE"

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial Instruments - Continued

3.9.1 Financial assets - Continued

be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

3.9.2 Impairment of financial assets

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

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

For certain categories of financial asset, such as loans and advances, trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

When an AFS investment is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized through the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

3.9.3 Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through statement of income, that are carried at fair value with gains or losses recognized in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through statement of income.

3.10 Inventories

All inventory items are valued at the lower of purchased cost or net realizable value using the weighted average method after making provision for any slow moving and obsolete stocks. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value with an original maturity of three months or less, net of bank overdrafts.

3.12 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Gains and losses on certain financial instruments are included in reserves for available for sale investments.

Retained earnings include all current and prior period retained profits.

Dividends are recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders.

3.13 Provision for staff indemnity

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

3.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of fuel and other fuel related products are recognized upon delivery to the customer.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognized when the equity Group's right to receive payment has been established.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ESTIMATION UNCERTAINTY

Accounting judgments

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

Impairment of investments

The group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE"

4. SIGNIFICANT ACCOUNTING ESTIMATES & ESTIMATION UNCERTAINTY (CONTINUED)

Estimation uncertainty

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

Valuation of unquoted equity investments

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Useful lives of tangible and intangible assets

As described in note 6 and 7, the group reviews the estimated useful lives over which its tangible assets are depreciated and intangible assets are amortized. The Group's management is satisfied that the estimates of useful lives are appropriate.

5. SUBSIDIARY

Details of the Parent company's subsidiary at 31 December 2009 is as follows.

Name of the subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held	
			31 December 2009	31 December 2008
Oula National Market Services K.S.C.C	Marketing	Kuwait	100%	100%

6. INTANGIBLE ASSETS

	2009	2008
	KD	KD
Book value as at 1 January	**1,786,090**	1,786,090
Amortization charge for the year	**(64,422)**	-
Book value as at 31 December	**1,721,668**	1,786,090

Intangible assets represent accquired commercial licenses and goodwill which are amortised over a useful economic life of 26 years (see note 7).

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold rights	Fuel stations	Furniture and decorations	Computers	Machinery and equipment	Projects in progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
Balance at 1 January 2008	22,178,410	3,858,000	144,005	569,671	188,908	1,542,943	28,481,937
Additions	-	-	5,700	28,800	-	2,067,254	2,101,754
Transfer	-	320,883	57,717	269,828	-	(648,428)	-
Balance at 1 January 2009	22,178,410	4,178,883	207,422	868,299	188,908	2,961,769	30,583,691
Additions	-	85,163	312,527	9,010	15,765	1,804,332	2,226,797
Transfer	-	386,828	-	282,853	-	(669,681)	-
Balance at 31 December 2009	22,178,410	4,650,874	519,949	1,160,162	204,673	4,096,420	32,810,488
Accumulated depreciation							
Balance at 1 January 2008	-	3,857,959	74,487	169,366	74,551	-	4,176,363
Charge for the year	-	16,550	42,751	165,147	47,222	-	271,670
Balance at 1 January 2009	-	3,874,509	117,238	334,513	121,773	-	4,448,033
Charge for the year	853,016	56,632	150,998	246,382	48,564	-	1,355,592
Balance at 31 December 2009	853,016	3,931,141	268,236	580,895	170,337	-	5,803,625
Net Book value							
As at 31 December 2009	**21,325,394**	**719,733**	**251,713**	**579,267**	**34,336**	**4,096,420**	**27,006,863**
As at 31 December 2008	22,178,410	304,374	90,184	533,786	67,135	2,961,769	26,135,658
Rate of depreciation per annum	4%	7%	25%	25%	25%	-	

The Board of Directors of the Parent Company decided to amortize the leasehold rights and commercial license fees as of 1 January 2009 after the reconsideration of the specified period for these rights and fees. Accordingly, the leasehold rights (reclassified under property, plant and equipment) and license fees will be amortized based on the remaining useful life of the asset, that is 26 years. This resulted in charging the financial year ended 31 December 2009 with an amortization of KD 64,422 (see note 6) for license fees and KD 853,016 for the leasehold rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE"

8. INVESTMENT IN ASSOCIATE

Name of associate	Country of incorporation	Percentage of ownership interest		Book value	
		2009	2008	**2009**	2008
		%	%	**KD**	KD
Petronet Global Computer Services K.S.C.C	Kuwait	**25**	25	**452,853**	466,250

The following table summarizes the information relating to the Group's investment in the associate:

Share of associate's statement of financial position:	**2009**	2008
	KD	KD
Total assets	**4,284,831**	5,413,122
Total liabilities	**2,575,226**	4,016,735
Net assets	**1,709,605**	1,396,387

	For the year ended 31 December	
Share of associate's revenue and results:	**2009**	2008
	KD	KD
Income	**22,643,606**	21,444,149
Results	**(53,588)**	474,033

The Group's share in results of associate company is recorded based on the management accounts for the year ended 31 December 2009.

The investment balance in associate company includes goodwill of KD 156,987 (2008: KD 156,987).

9. AVAILABLE FOR SALE INVESTMENTS

	2009	2008
	KD	KD
Investments in managed portfolios	**4,010,052**	4,107,144
Investment in funds	**250,986**	240,000
	4,261,038	4,347,144

It was not possible to reliably measure the fair value of certain unquoted securities amounting to KD 1,755,066 (31 December 2008: KD 1,915,630), foreign un-quoted securities of KD 334,878 (31 December 2008: KD 334,878) and hence these investments are stated at cost less impairment losses, if any. In the opinion of the management there are no indications of any impairment in value of available for sale investments at the statement of financial position date.

The Group has recognized an impairment loss of KD 18,975 in respect of its available for sale investments in the consolidated statement of income for the year ended 31 December 2009 (31 December 2008: KD 1,400,485).

10. TRADE AND OTHER RECEIVABLES

	2009	2008
	KD	KD
Trade receivables	**617,636**	644,121
Prepayments	**520,241**	602,002
Refundable deposits	**73,050**	11,700
Other receivable	**211,849**	99,746
	1,422,776	1,357,569

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Groups' management believes that there is no further provision required.

11. INVESTMENT IN WAKALA

This represents the balance of Wakala balance maturing during a period not exceeding one year as of its placement date. The average return rate on this wakala is 2.50% as at 31 December 2009 (31 December 2008: 5.13%).

12. INVESTMENT IN MURABAHA

The effective yield rate on murabaha as of 31 December 2009 was 4.25%. (31 December 2008: 7.75%).

The Murabaha matures on 5 April 2010.

13. TERM DEPOSITS

Term deposit balances mature over a period exceeding three months as of the date of placement. The average effective interest rate on deposits was 3.25% to 3.875% as at 31 December 2009 (31 December 2008: 7% to 7.5%).

14. CASH AND CASH EQUIVALENTS

	2009	2008
	KD	KD
Cash on hand	**400,341**	362,104
Cash at bank	**2,825,059**	788,324
Wakala investment (less than 3 months)	**1,070,000**	300,000
Term deposits (less than 3 months)	**3,000,000**	6,000,000
Cash at portfolios	**91,122**	101,293
	7,386,522	7,551,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE"

15. SHARE CAPITAL

The Parent Company's share capital comprises of 299,726,540 ordinary shares (31 December 2008: 299,726,540) shares of 100 fils each as follows:

	2009	2008
	KD	KD
Authorized and issued	**30,000,000**	30,000,000
Unallocated shares	**(27,346)**	(27,346)
	29,972,654	29,972,654

16. STATUTORY RESERVES

In accordance with the Commercial Companies Law of 1960, and the Company's articles of association, as amended, 10% of the profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital, to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

17. VOLUNTARY RESERVES

As required by the company's memorandum of association, a percentage of the net profit is required to be transferred to the voluntary reserve as proposed by the board and agreed by the general assembly. Such transfers can be discontinued by a resolution of the general assembly upon recommendation by the board of directors. There is no restriction on distribution of this reserve.

18. TRADE PAYABLES AND OTHER PAYABLES

	2009	2008
	KD	KD
Trade creditors	**441,907**	357,358
Accrued expense	**196,415**	136,495
KFAS	**32,320**	68,479
National Labor Support Tax (NLST)	**276,083**	186,760
Provision for Zakat	**36,575**	35,072
Dividends payable to shareholders	**706,391**	602,449
Director remuneration	**45,000**	45,000
Advance payments	**3,737**	34,760
Other	**47,631**	25,342
	1,786,059	1,491,715

19. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by the such parties.

Pricing policies and terms of these transactions are approved by the Group's management. Related party transactions are as follows:

	Major shareholders	**Senior management**	**Total 2009**	Total 2008
	KD	**KD**	**KD**	KD
Consolidated statement of financial position				
Property, plant and equipment	**611,224**	**-**	**611,224**	-
Investments in managed portfolios	**3,089,719**	**-**	**3,089,719**	3,334,797
Investment in Murabaha	**1,500,000**	**-**	**1,500,000**	1,500,000
Due to a related party	**7,415,847**	**-**	**7,415,847**	5,974,799
Consolidated statement of income				
Sales of fuel	**8,069,921**	**-**	**8,069,921**	1,491,314
Purchase of fuel	**70,082,574**	**-**	**70,082,574**	68,603,610
Operating expenses	**1,912,787**	**-**	**1,912,787**	-
Other income	**144,616**	**-**	**144,616**	-
General and administrative expenses	**336,426**	**-**	**336,426**	-
Key management remuneration	**-**	**45,000**	**45,000**	50,000

20. OPERATING EXPENSES

	2009	2008
	KD	KD
Salaries, wages and staff costs	**838,887**	874,928
Lease rentals	**646,110**	646,110
Fuel stations management contract	**1,926,705**	2,138,715
Depreciation and amortization	**1,218,983**	163,002
Cleaning and maintenance	**500,805**	450,913
Transportation	**456,766**	351,298
Other	**244,575**	208,237
	5,832,831	4,833,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE"

21. GENERAL AND ADMINISTRATION EXPENSES

	2009	2008
	KD	KD
Salaries, wages and other	**998,390**	1,201,206
Consultancy expenses	**116,199**	2,287
Lease charges	**338,066**	173,253
Depreciation	**201,030**	108,668
Publicity and advertising	**55,126**	94,296
Office Equipment	**-**	8,790
Other	**106,534**	202,153
	1,815,345	1,790,653

22. EARNINGS PER SHARE

	2009	2008
Profit for the year (KD)	**3,393,578**	3,194,515
Weighted average number of outstanding shares	**299,726,540**	299,726,540
Earnings per share	**11.32 Fils**	10.66 Fils

23. PROPOSED DIVIDENDS

The board of directors has proposed cash dividend of 10 fils for the year ended 31 December 2009 (31 December 2008: 10 fils) and directors' remeneration of KD 45,000 (December 2008: KD 45,000). These proposals are subject to the approval by the shareholders at the General Assembly which will be held at a later date.

24. SEGMENT REPORTING

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess its performance. In prior years, Group segment reporting was based on business segments. Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed and the management has grouped the Group's products and services into the following operating segments under IFRS 8 as follows:

- Fuel marketing – representing the sale of fuel and fuel related services arising from fuel stations.
- Financial investments – represents investment in portfolios and unquoted investments.
- Other – sale of non-fuel services arising at petrol stations.

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

a. Segment revenues and results:

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment income for the year ended 31 December		Segment profit for the year ended 31 December	
	2009	2008	**2009**	2008
	KD	KD	**KD**	KD
Fuel marketing	**80,331,941**	78,633,610	**4,449,658**	5,231,899
Financial investments	**388,995**	(548,079)	**388,995**	(548,079)
Other	**573,488**	490,252	**573,488**	490,252
Total for continuing operations	**81,294,424**	78,575,783	**5,412,141**	5,174,072
General and administration expenses			**(1,815,345)**	(1,790,653)
KFAS			**(32,320)**	(30,451)
Provision for national labor support tax			**(89,323)**	(80,967)
Provision for Zakat			**(36,575)**	(32,486)
Profit for the year			**3,438,578**	3,239,515

b. Segment assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments:

	2009	2008
	KD	KD
Segment assets		
Fuel marketing	**34,172,505**	31,220,366
Financial investments	**14,497,160**	15,278,437
Total Assets	**48,669,665**	46,498,803
Segment liabilities		
Fuel marketing	**9,391,626**	7,571,690

25. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, through the optimization of the debt and equity balance so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

"ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE"

25. FINANCIAL INSTRUMENTS (CONTINUED)

a. Capital risk management - Continued

characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or debt and or sell assets to reduce debt.

b. Significant accounting policies

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

c. Categories of financial instruments

	2009	2008
	KD	KD
Financial assets		
Cash and cash equivalents	**7,386,522**	7,551,721
Trade receivables	**617,636**	644,121
Available for sale investments	**4,261,038**	4,347,144
Term and islamic deposits	**6,075,000**	4,530,000
Financial liabilities		
Trade creditors	**441,907**	357,358
Due to related party	**7,415,847**	5,974,799

d. Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the group to equity price risk, consist principally of available for sale investments. The Group manages this risk by diversifying its investments on the basis of the pre- determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in price		***Effect on equity***	
	2009	2008	**2009**	2008
Kuwait	**5%**	5%	**213,052**	217,357

e. Liquidity risks

Liquidity risk is the risk that the group will be unable to meet its net funding requirements. Liquidity risk management includes holding sufficient cash and making finance sources available through sufficient facilities, holding high liquidity assets, monitoring liquidity regularly through future cash flows.

Except for employees' end of service indemnity, the maturity of group's liabilities fall due within a period of less than one year.

f. Fair value of financial instruments

a) Fair value of financial instruments carried at amortised cost

In the opinion of management, carrying amounts of the financial instruments carried at amortised cost are not materially different from their respective fair values as at the reporting date.

b) Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows.

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of financial assets (unquoted funds) are determined based on prices from observable current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using market data that are unobservable.

c) Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

“ALL AMOUNTS ARE IN KUWAITI DINAR UNLESS STATED OTHERWISE”

25. FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2009	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Available for sale investment				
Quoted equities	1,766,688	-	-	1,766,688
Managed funds	-	250,986	-	250,986
Unquoted equities	-	-	2,243,364	2,243,364
Total	1,766,688	250,986	2,243,364	4,261,038

Reconciliation of Level 3 fair value measurements of financial assets

31 December 2009	Available for sale investments
	KD
Opening balance	**2,250,508**
Total gains or losses	
- in profit or loss	**-**
- in other comprehensive income	**(4,080)**
Purchases / sales (net)	**(3,064)**
Closing balance	**2,243,364**

26. CONTINGENT LIABILITIES

	2009	2008
	KD	KD
Contingent liabilities		
Letters of credit	**-**	8,442
Letters of guarantee	**-**	4,191

27. COMPARATIVES

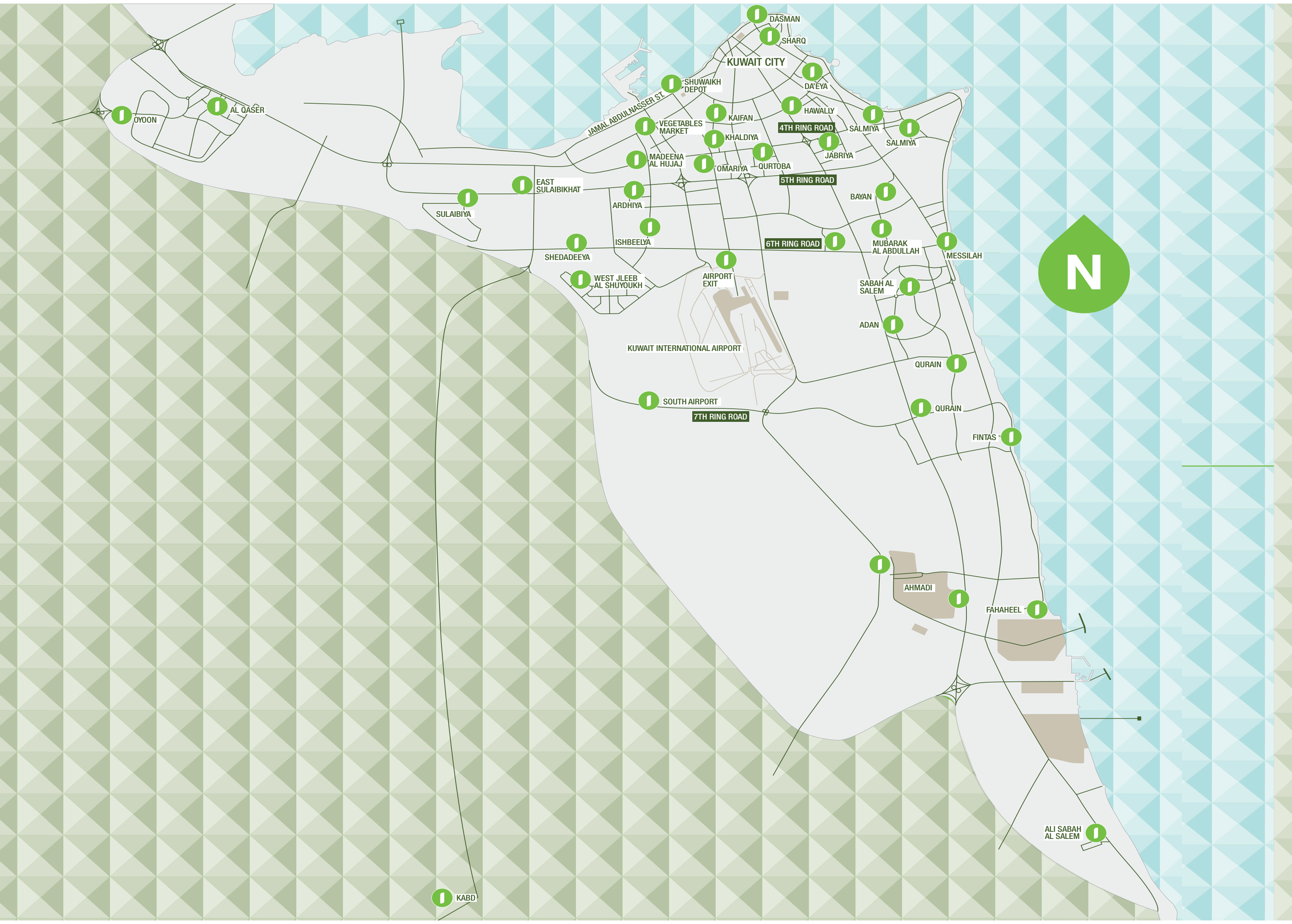
Certain comparative figures have been re-classified to conform to current year’s presentation.

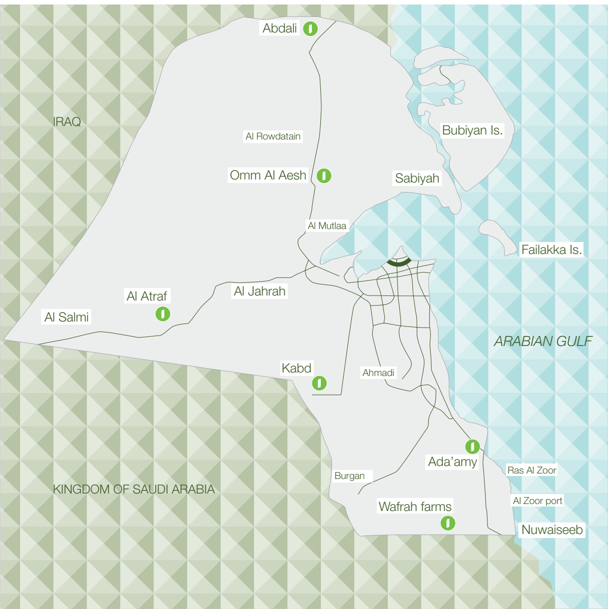
OULA STATIONS LIST

Station	Location
Abdali	Near Border
Ad'amy	King Fahad highway towards Nowaiseeb
Ahmadi	Ahmadi Traffic Dept.
Airport Exit	Airport Road No. 54
Ardhiya	Mohammed Bin Al Qassem St.
Ashbilya	Block 4 - Mohammed Bin Al Qassem St.
Atraf	Salmy Road (between 40-50 Km signs)
Bayan	Near the Co-Op
Da'eya	Block 2, 60th St.
Dasman	Ahmed Al Jaber St.
East Sulaibikhat	Block 3, besides the cemetery
Fintas	Fintas Coastal Road
Faheheel	Besides Faheheel Fire Brigade
Hawaly	3rd Ring Road
Jabriya	Block 5, 11th St.
Kaifan	Ashbilya St.
Khaldiya	Block 2, 22nd St. behind Co-Op
Maseelah	Faheheel Highway towards Kuwait City
Om Al Aesh	Abdaly Road (35 Km Signs)
Ali Sabah Al Salem	In front the Co-op
Omariya	Airport Road No. 55
Oyoon	Infront Al Ayoon Residential Area
Al Qaser	Block 2, Bin Hejer St.
Qortoba	4th Ring Road
Qurain	Al Ghoos St
Adan	King Fahad Road towards Kuwait City
Qurain (Mubarak al Kabeer)	Mubarak Al Kabeer - Block 3
Ruqe'ee (Madeena al Hujaj)	4th Ring Road
Sabah Al Salem	Block 12 - 207 Road
Salmiya	4th Ring Road
Salmiya	5th Ring Road
Sharq (Istiqlal St)	Soor St. with Sharq Conjunction
Shdadya	6th Ring Road
Shuwaikh	Jamal Abdul Naser St.
6th Ring Road	South Surra
South Airport (7th Ring Road)	7th Ring Road
Sulaibiya	Block 5 - Khalaf Al Ahmar St.
Vegetables Market	Shuwaikh - Kuwait City - Road No. 80
Wafrah	Besides Wafrah Agricultural Co-Op
West Jeleeb Al Shuyoukh	Abdullah Al Mubarak - Block 8
Mubarak Abdullah Al Jaber (West Mishref)	Behind Kuwait international fair ground
Kabd	In front of Kabd Co-Op society
West Shuaibah	On King Fahad's Road

Contact Guide

دليل الإتصالات





Qiblah, Ahmed Al Jaber Street
Zumorrodah Tower
Tel: 1800111 - Fax: 22321111
P.O. Box: 29009 Safat - 13151 Kuwait
www.oula1.com