His Highness Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

(Humanitarian Leader)

His Highness Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

CONTENTS

About Oula

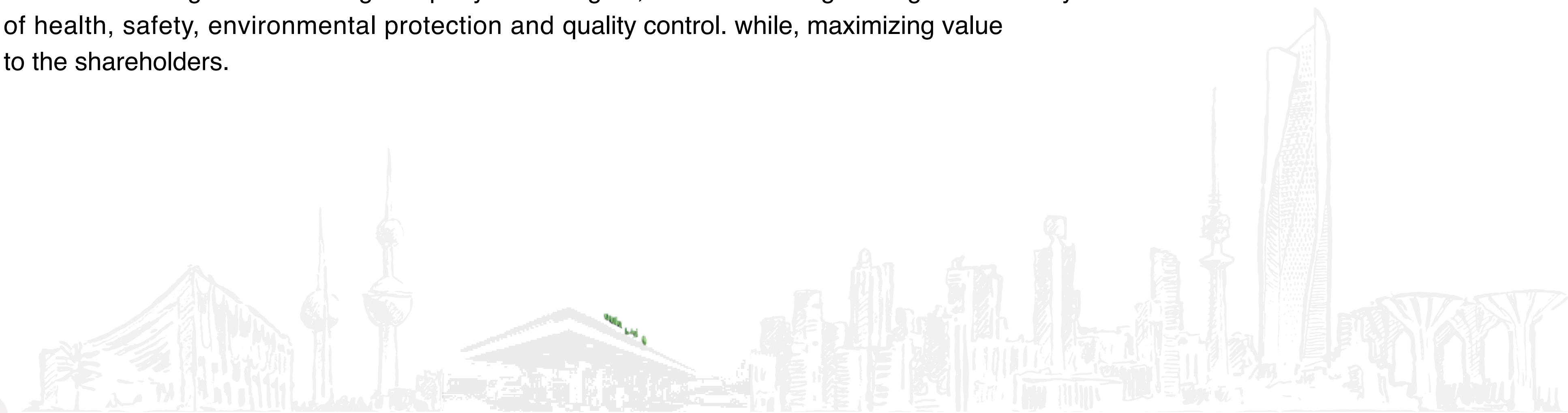
Oula is always the first to encompass the services that serves different consumer needs. It is not just a fuel company that builds stations, but also itseeks to constantly improving them to meet today's demands that are reflected in its continous efforts. Since the company was founded in 2004 until today, it is continuously developing. Because Oula's major objective is to satisfy its customers by providing the best possible services with highest quality, it always aims to study the local and international markets to find out what is new in the world of fuel and station services thus, improvements will be achieved through applying the results of these researches and studies in reality.

Our Mission

To make Oula stations part of the daily Life, we strive to offer the highest standards of products and services through a network of state-of-the-art service stations. to maintain our status as the industry leaders, we are dedicated to continually improving products and services for our customers in a clean and safe environment. We are committed to the well being of our staff and delivering value for our shareholders.

Our Vision

To be the leading fuel marketing company in the region, and maintaining the highest industry standards of health, safety, environmental protection and quality control. while, maximizing value to the shareholders.



Board Report

M/S Shareholders,
Greetings,

I would first like to thank all of you on behalf of the Board of Directors, the Executive Management of Oula Fuel Company, and myself. I am also pleased to present you with the thirteenth financial statement for the company's performance and the major achievements and results accomplished for the fiscal year ending 31st December 2018.

Eng. Abdulhussain S. Al-Sultan
Chairman

I would like to start by stating about the company's performance concerning the development of its stations, both in terms of infrastructure and the addition or development of services. During 2018, Oula Fuel Company was able to complete the following:
The full renovation of Salmiya Station "14" located on the Fourth Ring Road and Station "71" Salmiya located on the fifth ring road thus reaching the number of 20 fully-renovated stations with licensed investment activities, namely:
C-Stores, Carwash services (equipped with the latest high-quality equipment that conforms to International Standards based on the newest technologies of environmental preservation), car maintenance services and ATM machines, The development of the infrastructure by installing the second generation Vapor Recovery System (VRS 2) in three stations: Station "109" located South of the airport; Station "96" located in Al-Shuwaikh and Station "104" Al-Nahida (East Sulaibikhat), The establishment of C-Stores in 6 Stations and signing contracts for all locations where the opening of these stores was scheduled during the first quarter of 2019,These stations are: Salmiya Stations on the Fourth and the Fifth ring roads, Kabd Station, West Shuaiba Station, Ardiya Industrial Station and Bayan Station, The opening of a car-service facility in Kabd Station, Renewal and re-opening of Carwash services in Stations "14" and "71", The establishment of Auto-Wash carwash service in Station "17" Al-Qurain to be operated in 2019, Increase points of sale for non-fuel products, such as cleaning sprays and fuel injection system to reach 20 stations And The closing of Station "90" Al-Sulaibia at the end of 2018 for development and partial renovation.

It is worth mentioning that the development of our Carwash services where we are keen on using the best materials that adhere to the highest environmental standards, along with the speed and efficiency in the completion of this service had been contributing factors to the growth rate compared to the year 2017.

We have also been able to increase the proportion of prepaid fuel card sales compared to 2017, especially with the opening of our new Sales Branch at Qortoba Station.
Furthermore, a cooperation agreement was signed with one of the major banks to host the bank's promotion campaigns at OULA FUEL stations in order to achieve more financial benefits from the stations.

Future Strategy:

In addition, we have established Ultra Logistics Company to cover all the needs of fuel transportation services of Oula Fuel Company. Thirty transport trucks, manufactured in the year 2019, were purchased from one of the leading companies with special specifications. This deal is considered the first of its kind in the Middle East for this type of trucks which are equipped with "Fleet Board" GPS-tracking system. Such system is developed with great capabilities to keep up with the work and needs of your esteemed company. We have obtained the traffic and fire licensing, and final approval of Kuwait National Petroleum Company (KNPC) in under process. We have worked on preparing and equipping Station "42" (Al-Shuwaikh) and Station "109" (Seventh Ring Road) to accommodate the trucks and to be the center of operations in the first phase, which will be operational during the first quarter of the 2019. Moreover, to complete the logistics services, Oula Fuel Company signed a deal of purchasing 30 tanks from one of the best German Companies.

Oula always looks forward through its sound future strategy to maximize shareholders' value by promoting the company brand and status, increase asset base and continue development and expansion of investment infrastructure of stations, thus resulting into greater customer experience. All these measures would translate into added revenue streams resulting into higher revenues and profits for the company. We also continue to lead the implementation of the requirements of Corporate Governance because of its impact on the protection of the rights of small investors and its positive impact on the performance of the company and maintaining the lead.
In terms of Corporate Governance, Oula Fuel company continues to fulfill its obligations according to the best methods, and to work on forming development plans and investments,

and supporting the pace of growth through the company's commitment to the latest laws and regulations applied in the public shareholding companies listed on the Kuwait Stock Exchange and the requirements of the Capital Markets Authority.

Social Responsibility:

Oula Fuel Company is committed to its social responsibility through highlighting its role towards the society in general, contributing to supporting various activities and projects for different parties, providing all support to people with special needs, as well as maintaining the Kuwaitization percentage level whether in the head office or in the subsidiary stations, and its commitment to the laws of environmental protection.

Financial Statements:

During 2018, the total fuel income of the company amounted to KD 154.6 million, with an increase of 4.3% in comparison with 2017. The operating profit reduced by KD 519K due to increase in operating cost.

The company has achieved an increase of 15.8% in other income from ancillary activities in the year 2018 as compared with year 2017.

Oula's consolidated net profit amounted to KD 3. 8 million with an increase of 6.3% in comparison with 2017, mainly because of the increase in non-fuel income sources.

The company's total assets increased to KD 116 million registering an increase of 27% as compared with 2017.

Dear shareholders, in light of what we have shared with you, we request your approval for distributing Cash Dividends of 5% of the paid up capital (5 fils for each share) to the shareholders with a record date 15 days after the general assembly meeting.

Eng. Abdulhussain S. Al-Sultan
Chairman

Board of Directors

Eng. Abdulhussain S. Al-Sultan
Chairman

Civil engineering graduate from the University of TRI State University In Andayana - America 1980

Experience:

- A civil engineer in the Ministry of Works from 1980 to 1986.
- Civil engineer in the private sector from 1986 to 2008.
- Advisor to the editor of the Kuwaiti newspaper Al-Nahar in 2007.
- Editor of Kuwaiti newspaper Al-Dar from 2007 to 2012.
- Chairman of the Board of Directors of the OULA Fuel Marketing from 2010 until now.
- CEO of Ultra Holding.
- Starter in multiple Kuwaiti newspaper.

A member of the association:

- A member of the Kuwait Society of Engineers.
- Kuwaiti member of the Alumni Association.
- Member of the Association of Kuwaiti journalists.
- Member of Kuwait Human Rights Society.
- Member of the Kuwaiti Red Crescent Society.

Sheikh / Talal Al-Khaled Al-Sabah
Deputy Chairman

Bachelor of Business Administration BA, Leeds University, United Kingdom UK 1982 Master degree ofBA, Leeds University, UK 1986

Kuwait Oil Company 1983 to 2001

-Analyst (Under Development) from 3/1/1983 to 31/3/1983
-Administrative Officer (Under Development) from 1/4/1983 to 25/10/1986
-Head of Recruitment Department from 25/10/1986 to 12/1/1990
-Head of Public Relations Department from 13/1/1990 to 19/3/1999
-Manager of Public Relations Group from 20/3/1999 ti 10/2/2000
-Manager of Public Relations and Media Group from 11/2/2001 to 12/11/2001

Kuwait Oil Tankers Company

Chairman of Board of Directors from 21/5/2013 to 27/7/2013
CEO from 28/7/2013 to present

Eng. Adel M. Al-Awadi
Board Member & CEO

Bachelor of Science, Double Major Computer Engineering & Computer Science Miami University, USA 1993

Work Experience

Oula Fuel Marketing Company 2005 – till date

Joined the company as Marketing, Sales and PR Manager until 2007, then assigned as Deputy Managing Director of Marketing, Sales and Operations until 2010, later that same year promoted to Vice President of Marketing and Business Development. In 2012 and for one year he was the Consultant of the MD. In 2013 he was assigned by the BOD as the CEO of the company.

Al-Wataniya Telecommunication Company (Ooredoo) 2000-2005

Joined the company as Assistant Manager of Marketing and Sales, then he was promoted to Marketing and Communication Manager.

Zain Communication Company (MTC) 1993-2000

Joined as a Programmer, then promoted to Senior Engineer, then Specialist IT Department.

Sh. Khaled Al-Ahmad M. Al-Sabah
Board Member

Deputy Managing Director - Marketing Crude Oil & Petroleum Products.

-An Executive with 25 years of International Commercial Oil Trade & Sales experience.

-After his graduation in 1992 with BSs Petroleum Engineer, he started his career as Sales Representative in Crude Oil Sales Department (1994-1998). Worked in International Marketing sector in Crude, Marine, London Office as Asst. Manager.

-Worked as Manager – Naphtha/Mogas/LPG Sales in 2013. He was also the head of LNG Negotiations Committee.

-Worked as Manager – Planning, Marketing in Aug. 2017.

-Appointed as Deputy Managing Director - Marketing Crude Oil & Petroleum Products in October 2017 and is responsible of four Sales departments (Crude Oil, Naphtha/Mogas/LPG, Middle Distillates, Fuel Oil and Special Products & Bunkers).

- Also responsible for all KPC Regional Offices in London, Singapore, Japan, Korea, China, India and Pakistan to ensure that they add value to the development of beneficial relationships and profitable contracts.

Mohammad Eqab Al-Khateeb
Board Member and Vice-CEO

Education:
California State University at Sonoma 1976-1981
Masters of management, Capitalism and Islamic Banking (with honor) 1981 BA, Management 1979

Board of Director Responsibility:
-Ultra Supermarkets Co. Chairman, 2015
-Kuwait Business Town Co. Deputy Chairman, Member of the Board 2014-2015
-Kuwait Airways Co. Member of the Board 2012
-Kuwait Investment Company. Member of the Board and Audit Committee 2005-2012
-Kuwait Asia Holding Company. Chairman of the board of Directors 2006
-Oula Fuel Marketing Comoany. Board Cnsultant for HR & Administration 2012-2017, Member of the Board and its Audit Committee 2005-2012,
CEO Assistant 2017
-Council of Municipality of Kuwait 2003
-Al-Ahali Bank of Kuwait. Senior Manager – Head office 1984-2003

Ali A. Al-Baghli
Board Member

Bachelor of Commerce and Business Administration
-Halwan University Republic of Egypt 1979
-Assistant Undersecretary of Ministry of Commerce and Industry since 2004-2012
-Board of Directors Member of the Central Bank of Kuwait representing the Ministry of Commerce and Industry 2007 - 2012
-Accountant at the Supreme Court 1993.
-Accountant Arbitrator in the Judicial Arbitration Department at the Ministry of Justice
-Commercial arbitrator at the Kuwait Commercial Arbitration Center 2010.
-Judicial guard at the Supreme Court 1998
-Chartered Accountant in the United Arab Emirates Abu Dhabi 1989.
-An expert in the Chart of Experts at the Commercial Arbitration Center of the Gulf Cooperation Council since 2013
-Certified Arbitrator and Practitioner of the Commercial Arbitration Center of the GCC since 2009.
-Chairman of the Standing Technical Committee for the Development of Accounting Standards 2004 – 2007
-Chairman of the Registration and Discipline Committee for Auditors 2004 - 2007
-Chairman of the Committee on Classification of Commercial Activities 2004 - 2007

Dr. Ali H. Abdullah
Board Member

Education:
-B.S. industrial and System Engineering, Aug. 1982, University of Southern California (U.S.C.), USA.
-M.S Operations Research, Aug. 1986, George Washington University (G.W),USA.
-PhD Operations Research in “The WEIGHTED Maximal planner Graph Mathematical Formulations and Solutions “.Nov. 2002 Kent University at Canterbury, UK.

Employment:
-Research Assistant, applied Systems Department, Techno-Economics Division, Kuwait institute for scientific research (KISR), Kuwait 1982-1984.
-Research Associate, Applied systems Departments, techno-Economics Divisions, Kuwait institute for Scientific Research (KISR), Kuwait 1986-1987.
-Teacher, Statistics department, College of business studies, Kuwait 1996-1997.
-Assistance Professor, Statistic department, College of business studies, Kuwait 2002-present.
-Head of Statistics Department, College of business studies, Kuwait Sept.2003-present.

Academic Professionals:
-American Institute of Industrial Engineers (AIIE).
-The Operational Research Society of America (ORSA).
-The Institute for Management Science (TIMS).

Fadel M. Al-Saraf
Board Member

High School Degree 1967

-Kuwait Municipality 1969 – 1977 (Scholarship to United Kingdom by the Municipality for two years specializing in Civil Engineering of Engineering Models) 1970 - 1972
-Kuwait Public Transport Company – Assistant Public Relations Manager till 1977.
-Kuwait Public Transport Company – Public Relations Manager 1978 – 1979
-Kuwait Municipality – Management Department
-Wataniya Telecom Company – Follow-up Supervisor
-Al-Zumorrodah Holding Company
-Al-Zummoroda Investment Company

Masoud G. Akbar
Board Member

Petroleum Engineer, graduated from USC, Los Angeles
Employed in Kuwait Oil Company from 1991 until 2016
Former member in KBT “Kuwait Business Tower”
Currently, vice president of the United Food Group “Sable”

Dalia Ahmed Y. Othman
Board Secretary

Education:
Computer Diploma
Job and experiences:
- Oula Fuel Marketing Co., Senior Executive Secretary to Chairman 2005-present
- Kuwait Industrial Refinery Maintenance & Engineering Co. S.A.K (KREMENCO), Executive Secretary for the chairman & the managing director 1994-2005
- Progress Adverting Co. Secretary for the general manager 1993-1994

Executive Management

Eng. Adel Mohammed Alawadi
Chief Executive Officer

Mohammed Aqab Al-Khatib
Assistant CEO

Khaldoun Mohammed Al-Adawi
Senior Manager BD

Sanjay Tari
Finance Controller

Ashraf Ali
Project Manager

Tareq Mohammed Al-Ajlan
Senior Manager – Operation

Mohammad Sadeq Al-Sultan
Purchasing Manager

Eng. Muhammed A. Al-Ibrahim
HSEQ Manager

Hessa M. Mansour
HR & Admin Manager

Abdulaziz Al-Obaid
Head of Internal Audit Unit

Jassem Al-Mahmeed
Head of Risk Unit & Compliance

Achievements 2018

- Salmiya Station 5th Ring Road "71" and Salmiya Station 4th Ring Road "14" have been reopened after being fully developed and equipped with Mini Central Market, Car Laundry Station, Car Maintenance Service and ATM machine.
- Development of infrastructure for three stations, namely:
  South Airport Station "109" - Shuwaikh station "96" - Al Nahda Station "104"
- Establishment of the central market in 6 stations, which are:
  - Salmiya Station, 4th Ring Road "14" - Salmiya Station, 5th Ring Road Station "71" - Kabab Station "121" - West Shuaiba Station "122"
  - Al Ardiya Industrial Station "38" - Bian Station "86"
- Opening the service and maintenance of cars at the Kabad Station "121".
- The reopening of the car laundry activity at both of Salmiya Stations, the 5th Ring Road "71" and Salmiya Station, the 4th Ring Road "14" after their development.
- Establishment of a services company to transport the fuel to meet the needs of the Oula Logistics Company.
- The purchase of 30 Mercedes-Benz transport truck, which is the first of its kind in the Middle East to keep pace with the work and needs of the company.
- The purchase of 30 tanks of the oldest German companies to meet the company's transport and supply needs.
- The opening of the new sales branch at the Cordoba station equipped with the latest advanced equipment to provide the first cards.
- Increasing the sales points of non-fuel products including the cleanness of sprays and fuel injection system to up to 20 stations.
- The work of a cooperation agreement with one of the banks in order to Oula Company hosts the promotional campaigns of the bank in its stations.
- Increasing the volume of laundry service sales compared to 2017
- Increasing in sales of cards compared to 2017
- Increasing the number of cards exported in comparison to 2017
- Installation of the vapors recovery system, the second generation (VRS 2) to three stations, which are:
  - Salmiya Station, 4th Ring Road "14" - Salmiya Station, 5th Ring Road "71"
  - Shuwaikh Station "96" - Al Nahda Station "104"
- Compliance with applying the highest standards of control, which led to the failure to register any incident during the development processes of the four stations that have been developed.

- Achieving the measurable objectives of the Environmental Health and Safety and Quality Control Program.
- 121 field visits by the competent teams to ensure the application of the safety and environment conditions and quality assurance in stations.
- Oula Fuel Stations received a rate of 93% of the safety, environment and quality control supervision team of Kuwait National Petroleum Company (KNPC).
- The approval of the recycling system using the containers dedicated to the preservation of the environment.
- Rationalization of electricity and water consumption at all stations.
- Preparing Car Laundry Stations with the latest equipment with high quality and conforming to the international specifications based on the latest technologies to preserve the environment.
- Adding the diesel product to Al Ardiya industrial station "38".
- Development of the electronic devices and computers of the stations and equipping them with the latest programs to measure the amount of fuel in tanks and reading the fuel pump meter.
- Training of 200 employees from the Department of Operations, Maintenance Department and Car Laundry Department on the first aid.
- Training of 240 employees from the Operations Department and Car Laundry Department in the fire fighting.
- 240 employees from the Operations Department passed the special course on the safety and environment principles at fuel stations.
- 20 employees from the Operations Department received a certificate of human resource development and work management in the
- hazardous business environment.

Social Responsibility:

- Maintaining the Kuwaitization percentage of 100% of all supervisory positions on the gas stations.
- Participating in the campaign organized by Dasman Diabetes Institute to spread the health and educational awareness for diabetics.
- Conducting a beach cleaning campaign in cooperation with the Environment Public Authority (EPA).
- Contributing to support the charitable projects with Engineers Without Borders (EWB).
- Participating with International Islamic Charity Organization to provide the aids and assistance to Syrian refugees.
- Supporting Kuwait Forum Charity Organization.
- Contribution and participation in the second Kuwait Industrial Exhibition.
- Supporting a number of graduation projects for various faculties at Kuwait University.
- Honoring the outstanding students from Farhan Al-Khalid Secondary School.
- Holding the Quraish Celebration for Oula Company's partners at Regency Hotel in recognition of their support for Oula Company's march of success.
- Honoring the work team of the stations and the maintenance team for their great and distinctive role during the rains wave in the country.
- Launching a weight-loss campaign for the Oula Company's employees as a part of its campaign called "Healthy Lifestyle".

Governance Report

OULA local Fuel-marketing KSC is distinguished, since its foundation in 2004, with the principle of transparency and commitment to the application of all laws and regulations issued by various regulatory bodies. Further, we have adopted the highest international standards of quality control and environmental safety (HSEQ-CoP) as prescribed by the Kuwaiti National Petroleum Company.
After the issuance of the decision of the Capital Market Authority in 2010 and its amendments, the management of the company was keen to be among the pioneers of the system,
which would consolidate and strengthen the relationship between the members of the board of directors, shareholders and stakeholders.

The members of the Board of Directors and the executive council designed an organizational structure most suitable and appropriate for achieving the company's strategies and objectives. Incorporated within the new structure is the existence of a sound mechanism for developing, assessing the adequacy and maintaining of internal controls, regulations, and policies through management audits and risk management.
The board philosophy reinforces paramount importance to the principles of disclosure, transparency, professional conduct and ethical values, and respect for the rights of all shareholders and stakeholders.

Rule 1:
First Rule:
Building a balanced structure for the board of directors

Name	Member Rating	Academic qualification and practical experience	Date of Election/ Appointment / re-appointment of the Secretary
Abdulhussain Saleh Sultan (Chairman of Board of Directors)	Executive	Bachelor degree in civil engineering from the University of TRI Indiana- America in 1980	21/05/2017
Sheikh Talal Al-Khalid Al-Sabah (Vice Chairman)	Non-Executive	Master Degree in Business Administration - University of Leeds - United Kingdom, 1986	21/05/2017
Sheikh Khalid Al-Ahmad Al-Sabah (Member)	Non-Executive	Bachelor of Petroleum Engineering 1992	21/12/2017
Ali Abdullah Al Baghli (An independent member)	Independent	Bachelor of Commerce and Business Administration from the Arab Republic Of Egypt, Helwan University, 1979	21/05/2017
Dr. Hussein Hassan Abdullah (Member)	Non-Executive	Bachelor of Industrial Engineering and Systems-August 1982 University of Southern California (U.S.C), United States of America Master Degree in Research operations -August 1986- Georgia-Washington (G.W) United States of America Ph.D.in administrative science -November 2002, University of Kent (Kent), United Kingdom	21/05/2017
Massoud Ghuloom Akbar (Member)	Non-Executive	Bachelor of Petroleum Engineering 1991 from Los Angeles USC	5/3/2018
Adel Mohammed Al Awadi (CEO and Board Member)	Executive	Bachelor of Science – double major Computer Engineering and Computer Science - University of Miami 1993	21/05/2017
Fadel Muhammad Hussein Al Saraf (Member)	Non-Executive	Secondary school certificate 1967, Civil engineering courses from the United Kingdom 1970-1972	21/05/2017
Mohammed Aqab Khatib (Vice-CEO and Board Member)	Executive	Master of Management (Hons) 1981, capitalist and Islamic Banks - Master Thesis BA Management 1979	21/05/2017
Dalia Ahmed Othman	Board Secretary	Computer diploma, 1991 - The secretariat course, 2005 Governance Course,2016 Becoming A World-Class Executive Assistant 2011 Certificate of Certified Disclosure Specialist (CDS), 2018	The date of re-appointing the Secretary 03/08/2017

The Board meetings during 2017

S. N	Name	The representative of a company	Capacity	Meeting number 1-2018 held on 19-3-2018	Meeting number 2-2018 held on 30-4-2018	Meeting number 3-2018 held on 9-5-2018	Meeting number 4-2018 held on 8-8-2018	Meeting number 5-2018 held on 21-10-2018	Meeting No. 2018-6 held on 12-11-2018
1	Abdulhussain Saleh Sultan The Chairman	The Kuwaiti Company for Medical Services (Kuwaiti Joint Stock Company) (closed)	Executive	Attended	Attended	Attended	Attended	Attended	Attended
2	Sheikh/ Talal Al-Khalid Al-Sabah The deputy chairman	Kuwaiti Petroleum Company	Non-Executive	Attended	absent	Attended	Attended	Attended	Attended
3	ali Abdullah Al Baghli Board of Member	Independent	Independent	Attended	absent	Attended	Attended	absent	Attended
4	Adel Mohammed Al Awadi (CEO and Board Member)	Al Bouroj Trading Company LLC	Executive	absent	Attended		Attended	Attended	Attended
5	Mohammed Aqab Khatib (Vice-CEO and Board Member)	By himself	Executive	Attended	Attended	Attended	Attended	Attended	Attended
6	Sheikh/ Khalid Al-Ahmed Al-Sabah Board of Member	Kuwait Petroleum Corporation	Non-Executive	Attended	Attended	absent	Attended	Attended	absent
7	Massoud Ghuloom Akbar Board of Member	Kuwait Medical Services Company (K.S.C) (Closed)	Non-Executive	Attended	Attended	Attended	absent	Attended	Attended
8	Dr. Hussein Hassan Abdullah Board of Member	National Leasing & Finance Company (K.S.C)	Non-Executive	absent	absent	absent	absent	absent	absent
9	Fadel Muhammad Hussein Al Saraf Board of Member	Al Burooj Trading Company L.L.C	Non-Executive	Attended	Attended	Attended	Attended	absent	Attended

Note: The member / Dr. Ali Hussein Abdullah is absent from attendance because his travel outside the country for treatment

Abstract for the way to apply the requirements of registration and coordination and archiving the meetings' minutes of the board of directors.

The Board of Directors is committed to discuss any issues listed on the agenda with the utmost transparency, provided that the members are provided with the information which allows them to make the decisions and to prove all the facts including the reservations (if any). The minutes of the meeting also include the following information:

1. The number of meetings of the Board of Directors in consecutive figures for the year in which the meetings were held.
2. Place, date, time and the date of commencement and expiry of the meeting.
3. Recording the names of the Attendees and Absentees of the meeting, including the reasons for absence.

4. The Board of Directors shall approve the agenda. If any member objects to this agenda, details of such objection shall be proved in the minutes of the meeting.
5. Recording the meeting in accordance with the agenda and any other new work, decisions, recommendations and observations taken.
6. Approval and signing the minutes of meetings by all members of the Board of Directors' Attendees and the Secretary.
7. Keeping the assets of the minutes of the meetings.
8. The members of the Board of Directors shall obtain the copy of all the minutes of the approved board's meetings and the relevant documents.
9. Maintaining a special record of the Board of Directors' meetings summary, including all the information mentioned above.

Second Rule:
Proper determination of tasks and responsibilities
Abstract for the way which led the company defines the policy of the tasks, responsibilities, and duties of each of the members of the Board of Directors and Executive Management, as well as the authorities and powers delegated to the Executive Management.

1. General Responsibilities of the Board of Directors

The Board of Directors is responsible for the overall responsibility of Oula Fuel Company, including the development of strategies such as control and risk strategy in accordance with the governance standards, and it is responsible for the implementation of these objectives strictly and overseeing the executive management, including the CEO, in addition to the financial safety and to ensure that the requirements of regulatory bodies are met, the interests of shareholders and the other stakeholders are maintained and that the administrative Regulations are carried out in accordance with the laws, instructions and policies of the company.

2. Composition of the Board

According to the articles of association of the Oula Fuel Company, the Board of Directors comprises (9) nine members, two members representing KPC and seven members elected by the General Assembly. On 21/5/2017, the General Assembly elected the members and a new Board of Directors was formed and the term of the members of the Board of Directors is determined to be valid for three years, the member may be re-elected again. The current Board shall consist of the Chairman of the Board of Directors, his vice and seven other members, including an independent member, representing the sufficient number of members to form the necessary committees emanating from the Board of Directors within the framework of the requirements of the governance standards.

3. Role of the Chairman of the Board of Directors

The Chairman of the Board of Directors shall ensure the proper functioning of the Board, maintain the mutual trust among the members and ensure that the Board takes decisions based on the sound foundations and information, it also seeks to exchange the views within the Board and to ensure that the adequate information is received by both Board members and shareholders in a timely manner. It also plays a key role in maintaining a constructive relationship between the Board and the Executive Management and ensuring the provision of good governance standards at the Oula Fuel Company.

4. Relationship between the Board of Directors and the Executive Management

One of the most important pillars of governance is the clear cooperation between the Board of Directors and the senior management of the Company, since the role of the Board represents to guide and lead while the senior management is responsible for the preparation and implementation of the strategies and policies approved by the Board. The Board shall ensure that the executive management activates the policies relating to the prevention or reduction of the activities and relationships that may affect the quality of the corporate governance rules such as the conflict of interest.

5. Organization of the Board's work

The Board held 6 meetings during 2018, which is convened every quarter of year to discuss the interim financial statements when necessary. Decisions taken within the meetings were mandatory and became part of the Company's records. The Chairman of the Board shall consult with the Executive Management on the important and proposed topics to be listed in the agenda of the Board's meetings and provide the members of the board with adequate data and information before the sufficient duration of the meetings of the board to take the necessary decisions. The Secretary of the board shall take note of the Board's discussions, the suggestions of the members and the results of the voting which shall take place during the meetings of the Board.

Achievements of the Board of Directors during the year.

1. Approval of the estimated general budget of the company for the year 2018.
2. Acquisition and construction of the commercial tower.
3. Establishing a logistics company.
4. Approval of the amendment of the financial powers of all the departments of the company and amendments to some of them to comply with the instructions of the regulatory bodies and the Capital Markets Authority.
5. Approval of the amendment to the organizational structure of the company in line with Resolution 124 of 2018 of the Capital Markets Authority.
6. Approval of the quarterly financial statements.
7. Establishment of a separate unit for the regulation of investors' affairs.
8. Approval of the merger of risks unit with compliance unit.

Abstract for the application of the requirements for the formation of the board of directors for the specialized committees having the independence, taking into account the following information about each committee:

Names of the members of the Board	Audit Committee	Risk Committee	nominations and remunerations committee
The total number of meetings of committees stemming from the board of the directors	**5**	**4**	**4**
Abdulhussain Saleh Sultan (Chairman of Board of Directors)			
Sheikh Talal Al-Khalid Al-Sabah (Vice Chairman)			
Ali Abdullah Al Baghli (An independent member)	5	4	4
Adel Mohamed Al - Awadhi (Board Member and CEO)			
Mohammed Aqab Khatib (Board Member and Vice-CEO)			
Sheikh / Khalid Al-Mohamed Al-Sabah (Member)			
Massoud Ghuloom Akbar (Member)		4	
Fadel Mohamed Hussein Al-Sarraf	5		4
Dr. Hussein Hassan Abdullah (Member)			

Note: The member / Dr. Ali Hussein Abdullah is absent from attendance because his travel outside the country for treatment

Abstract for the way to apply the requirements that allow the board's members to obtain the accurate and timely information and data.

In order to ensure the flow of information between the Executive Management and the Board of Directors, the Board of Directors has established a policy to regulate that the members of the Board can access to the financial statements and any reports from the Company's departments through holding the weekly meetings between the Chairman of the Board of Directors and the Executive Management on the performance of the executive body. Any member of the Board of Directors may request any information or report from any department in coordination with the Secretary of the Board.

1. Audit Committee

The Audit Committee was formed based on the decision of the Board of Directors on 10/8/2017, meeting No. 3/2017. The Chairman and Vice-Chairman were elected at the meeting of the Committee on 6/11/2017. The Committee's validity shall be effective for three years with the membership term of the Board of Directors.

The Committee's tasks are to establish the appropriate standards to verify the strengthening of internal audit management by providing the highest standards of support and backstopping, ensuring its independence from the executive management and ensuring that the external audits are carried out in a manner that achieves the principle of double auditing. The Committee also verifies that the compliance with the company's internal policies, laws, regulations and related instructions, and that the internal control Regulations relating to the financial and administrative matters are comprehensive and are monitored and reviewed in a timely manner. The committee also appoints the board of directors to review the financial reports and to ensure the compliance of the company with the legal and regulatory requirements, as well as ensuring the adequacy of the qualifications and experiments of the independent auditors and their independence with a climate of discipline and internal control of the company.

The Audit Committee shall be composed of the following members:

Dr. Ali Hussein Abdullah Chairman of the Committee	**Fadel Mohamed Al-Sarrafa** Vice-Chairman of the Committee	**Ali Abdullah Al-Baghli** Committee member

During 2018, the committee was held 5 meetings.

Achievements of Committee during 2018

- Recommendation to the Board of Directors to approve the financial statements for the fiscal year ended on 31/12/2017.
- Recommendation to the Board of Directors to approve the quarterly financial statements for the current year.
- Recommendation to the Board of Directors to choose the internal audit offices.
- Supervision and audit of the internal audit.
- Appointing an external auditor to review and prepare the report of the Annual Internal Control Regulations (ICR) through a certified
- independent auditor other than the Company's external auditors to ensure the adequacy of the internal control Regulations.

Committee's Opinion Regarding the Company's Internal Control Environment:

The Audit Committee of the Board of Directors monitors the implementation of the general policies and procedures of the internal audit regulations. The Audit Committee also reviews the proposed annual plan for the audit work inside the company, whereas the Committee held regularly its periodical meetings with the internal auditor in which it discussed the reports, review the previous recommendations and the extent of response to those recommendations, in order to identify the risks and obstacles that may be exposed to the company, the degree of importance and trying to avoid those risks and the development of internal control Regulations, in addition to that the Committee follows up and supervises the work of internal audit based on the risk assessment, the Committee believes that the Company has an adequate and effective control environment, as most of the material gaps are dealt with and completing all remaining gaps are under way with less significant impact or are being minimized or minimized by the Executive Management. The committee also noted the keenness of the executive body to implement the internal control mechanisms and Regulations to ensure the protection of the company's assets and to ensure the validity of the data in addition to the efficiency of the operational processes of the company and the adequacy of its financial and administrative aspects.

2. Risk Committee

The Risk Committee was formed on the basis of the decision of the Board of Directors on 10/8/2017, Meeting No. 3/2017. The Chairman and Vice-Chairman were elected at the meeting of the Committee on 17/8/2017 at the beginning of the Committee, and then the Chairman of the Committee Mr. Massoud Ghuloom Abbas Ali Akbar was re-elected at the Committee's meeting No. 1/2018 on 12/4/2018 in succession to the previous chairman. Pursuant to the decision of the Board of Directors on 19/3/2018, meeting No. 1/2018, as the Committee's validity shall be effective for three years with the membership term of the Board of Directors.

The tasks of the Risk Committee are to prepare and review the risk management strategies and policies before they are approved by the Board of Directors and to ensure the availability of the adequate resources and regulations for the risk management, as well as evaluating the regulations and mechanisms for determining, measuring and monitoring the various types of risks that may be exposed to the company, ensuring the independence of the risk management staff and reviewing the audit committee reports that affect the risk management of the company.

The Audit Committee shall be composed of the following members:

Massoud Ghuloom Ali Akbar Chairman of the Committee	**Ali Abdullah Al-Baghli** Vice-Chairman of the Committee	**Dr. Ali Hussein Abdullah** Committee member

During 2018, the committee was held 4 meetings.

Achievements of Committee during 2018

- Approval of the quarterly risks reports.
- Approval of the recommendations for the strategic projects.

3. Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed on the basis of the decision of the Board of Directors on 10/8/2017, Meeting No. 3/2017. The Chairman and Vice-Chairman were elected at the meeting of the Committee on 23/8/2017, and then the Committee's validity shall be effective for three years with the membership term of the Board of Directors.

The tasks of the Committee are to submit the recommendations to the Board of Directors regarding the nomination for membership of the Board in accordance with the approved policies and standards and instructions issued by the Capital Market Authority and Ministry of Commerce concerning the regulations for the Nomination for membership of the Board of Directors. The Committee also conducts an annual evaluation of the performance of the Board as a whole and the review and approval of the standards for selecting the Chief Executive Officer (CEO) and the Executive Directors. It also ensures that the remuneration framework for the CEO and Executive functions shall be applied and it reviews and submits the recommendations on the matters related to changes in wage and remuneration policies, including the policies of Gratuity-end-of-service.

The Audit Committee shall be composed of the following members:

Dr. Ali Hussein Abdullah Chairman of the Committee	**Fadel Mohamed Al-Sarrafa** Vice-Chairman of the Committee	**Ali Abdullah Al-Baghli** Committee member

During 2018, the committee was held 4 meetings.

Achievements of Committee during 2018

- Amendments to the Company's organizational structure in line with Resolution No. 124 of 2018 of the Capital Market Authority.
- Separation of the Investors Affairs unit
- Integrating the Risk Unit and Compliance Unit.

Third Rule

Selection of qualified persons for the board of directors' membership and the executive management

Abstract for the application of the formation requirements of Nomination and Remuneration Committee

As a result of the commitment to the governance methodology to form the Nomination and Remuneration Committee, three members were selected for membership of the Committee, in terms of the committee has one independent member, one of the most important objectives is to select and to attract the suitable candidates for membership of the board of directors and executive management to ensure the achievement of the objectives that the company has entered into. In addition, the Committee is liable to develop clear policies and standards for the Regulation of rewards and benefits for the members of the Board and Executive Management and then they are rewarded on the basis of the direct evaluation principles and standards of the performance of each member and the executive management, so that the committee prepares the report based on the approved policies and these rewards are disclosed in the company's annual reports at the general assembly.

Remuneration Report granted to Board's Members and Executive Management for 2018

The report on the remuneration granted to the members of the Board of Directors and the Executive Management has been prepared by the Nomination and Remuneration Committee and will be included in the agenda of the General Assembly to be read out. The standards of accuracy and transparency have been followed upon its preparation which reflects the reality and these remuneration are as follows:

Remuneration of the Board Members

Board Members	Position	Remuneration for membership of committees	Board Remuneration
Abdulhussain Saleh Sultan	(Chairman of Board of Directors)	—	5,000/-
Sheikh Talal Al-Khalid Al-Sabah	(Vice Chairman)	—	5,000/-
Sheikh Khalid Al-Ahmad Al-Sabah	Member of Board	—	5,000/-
Adel Mohammed Al Awadi	(CEO and Board Member)	—	5,000/-
Massoud Ghuloom Akbar	Member of Board	—	5,000/-
Mohammed Aqab Khatib	(Vice-CEO and Board Member)	—	5,000/-
Fadel Muhammad Hussein Al Saraf	Member of Board	—	5,000/-
Ali Abdullah Al Baghli	Independent Member of Board	—	5,000/-
Dr. Hussein Hassan Abdullah	Member of Board	—	5,000/-
			KWD-/45,000

Remuneration of Executive Management

The benefits are short-term salaries and benefits during 2018. Executive management is represented by the Chief Executive Officer (CEO), Assistant CEO and Senior Manager.

Total amounts owed to them rated to KWD 164,482 for the year of 2018 and they are related to the Company's performance rates and indicators, which are in line with the Company's strategy and objectives.

Fourth Rule:

Ensuring the integrity of financial reports

The Board of Directors of Oula Fuel Marketing Company undertakes to ensure the safety and integrity of the financial reports of the Company and to present them soundly and accurately towards the shareholders and investors. The Executive Management also undertakes to the Board of Directors that the financial reports of the Company are properly presented and that these financial statements review all financial aspects of the Company in accordance with the International Financial Reporting Standards (IFRS) approved by the Capital Market Authority (CMA) and the regulatory bodies.

The Ordinary General Assembly of the Company, held on April 29, 2018, approved the appointment of the external auditors as they have the full independence and impartiality, which are:

- Office/ Grant Thornton - Al Qatami, Al Aiban & Co., represented by Mr. Abdul Latif Mohamed Al Aiban (CPA) (Authorized Auditor No. 94, Class A)
- M/s. Office of Hind Abdullah Al-Sirai & Co. are a member of Mazars International , represented by Ms. Hind Abdullah Al-Sirai (Auditors' Register No. 141, Class A).

Fifth Rule :

Developing the sound regulations of Risks Management and Internal Control

The organizational structure of the company ensures the existence of an independent risks management unit while ensuring that its employees enjoy a great powers which supporting them with the required technical qualifications and capabilities through the training and workshops, for the important role of identifying the risks and opportunities which is one of the most important risks management functions that will determine the obstacles of achieving the strategic objectives.

This unit also follows directly the Board of Directors' Risks Committee, which consists of three members, excluding the Chairman of the Board of Directors and one from its members that is an independent member. The Committee meets at least four times a year, because it is necessary to inform all the members of the Board of Directors about the degree of internal and external risks.

As the risks management identifies each of the company's compliance with all laws and instructions issued by the various regulatory bodies, and to provide the Risk Committee with the quarterly reports submitted by the Risks Management that determine the status of the company and

the latest amendments to the latest laws issued, and to identify the operational risks resulting from the adequacy or failure of internal processes, regulations, devices or employees or external events.
In addition to identifying the financial and strategic risks. The Board of Directors also acknowledged a policy of risks that determines the acceptable degree of risks with developing a conservative strategic policy for the distribution of managed assets and investments through which the risk distribution is taken into account in accordance with the applicable policies and regulations.
Policies approved by the Board of Directors for the internal control regulations also include the operations activated by an entity's board of directors, designed to achieve the reasonable assurance of access to the objectives related to operations, reporting and compliance. It is important to note that, despite all the ways which the company can take, the internal control methods and procedures, upon the use, can provide the sufficient assurance but not absolute confirmation. The Board of Directors has the responsibility to oversee the internal control regulations, which allows it to obtain the reasonable assurance regarding the effectiveness and adequacy of these regulations to the executive management. The executive management owns a regulation of management, control and evaluation with the objectives that include:

- Effective Operations
- Monitoring the applicable laws and regulations
- Protecting the value of the company's assets

The company's internal control is integrated directly into the operational processes automatically or manually. Automatic control is included in the information management systems used and supported by the manual monitoring. The quality of the information is confirmed at the initial input to the systems through the means of control such as the principle of bilateral control, delegation schedule, separation of tasks, and certain ways taken by the management.
An independent unit of the internal audit department has been established by the Board of Directors within the Company's organizational structure, which directly follows the Internal Audit Committee of the Board of Directors, this is due to the need to inform all members of the Board of Directors of the extent of the company's compliance with all laws and instructions issued by the various regulatory bodies, The

Committee emanating from the Board of Directors has approved the general policies and procedures of the internal audit Regulations covering the Company's business and management. The Board of Directors is provided with the periodic internal audit reports based on the risks assessment.

Sixth Rule:

Promoting the professional behavior and ethical values

The Code of Professional Conduct of Oula Fuel Marketing Company reflects the values and standards of sound professional and ethical practices to be followed by the Board's members, the executive management and all employees. So that these values and standards governs the treatment way of employees with customers, competitors, business partners and shareholders with each other, they form the basis of the company's internal policies and procedures in decision-making on day-to-day activities and to provide the instructions on the compliance with applicable laws and regulations.

In this respect, the members of the Board of Directors, the Executive Management and all employees are committed to the highest standards of compliance with the professional policies and codes of conduct, in addition to promoting and maintaining a working environment that supports the ethical behavior and actively promotes the existence of an open, permanent dialogue based on the ethics and behavior.
The Board has approved a conflict of interest policy, which includes clear examples of conflicts of interest and the way to handle and deal with them.
The company continuously determines, handles and reports of the cases which forms the conflicts of interest within it to ensure that they are dealt and handled expeditiously with due regard to the corporate law.

Seventh Rule:

Disclosure and transparency in an accurate and timely manner

The Oula fuel Company is one of the pioneers supporting to the disclosure and transparency policy concept represented by the members of the Board of Directors, since the issuance of the Capital Markets Authority's decision in 2010.
The policy of disclosure lies in the declaration and dissemination of the essential information at specific times that may interest or attract the investors and stakeholders through which submission of the (interim and annual) financial statements and disclosure of each material information that may affect the Company's position or the market value of the traded shares.
The policy developed to clarify the importance and necessity of disclosure and transparency has been careful to keep those disclosures in special records, which contain the statements of members of the board of directors, the executive management and all concerned persons.
In order to enhancing the shareholders' confidence and to support the disclosure perspective, such material information is presented with accuracy and transparency on the Company's official website.
The tasks of the Investors Affairs Department have been assigned to a competent officer to facilitate the provision of data and information to the potential investors.

Eighth Rule:

Respect for shareholders' equity

Oula Fuel Marketing Company applies an approved policy to protect the shareholders' equity based on the principles of transparency and equality among all shareholders, including the small shareholders, without any discrimination in rights. Whereas the Board of Directors ensures that the shareholders 'equity is respected in accordance with the relevant laws and regulations and the Company's Articles of Association, as well as protecting the shareholders' capital from misuse occurred by the directors of the company, members of board of directors and or senior shareholders. The Company also maintains a special register with the Set-off House containing the names of the shareholders, their statements and the number of shares owned by each of them, indicating any change in the properties to be updated in this register in accordance with the data received by the company or the Set-off House and as each person has the right to review them at the request of the company or the Set-off House. The general equity of shareholders includes as follows:

- The value of the shareholding is registered in the Company's records.
- Receipt of dividends and receipt of information and data relating to the Company's business and operational and investment strategy on a regular and easy basis.
- Participation in the meetings of the General Assembly of shareholders and voting on its decisions.
- Disposal of shares such as registration, assignment and / or transfer of the ownership.
- Election of the members of the Board of Directors.
- Monitoring the performance of the company in general and the work of the board of directors in particular.

Ninth Rule:

Recognizing the role of stakeholders

Oula Fuel Marketing Company is keen to respect and protect the equity of stakeholders and promotes the cooperation between them and the company in many fields as stipulated in the policy of regulating the relationship with the stakeholders, as the contributions of the stakeholders are deemed as a very important resource for building the company's competitiveness ability and strengthening its profit levels.

As the policy of regulating the relations with stakeholders includes the rules and procedures that guarantee the protection and recognition of the equity of all parties.

- Developing a mechanism to safeguard the rights of stakeholders that are acknowledged by the regulations and protected by contracts.
- Mechanisms for settling the complaints or disputes that may arise between the company and stakeholders.
- Appropriate mechanisms to establish the good relations with customers and suppliers and to maintain the confidentiality of their information.
- The treatment of all members of the Board and the parties concerned with the same conditions applied by the Company with different parties including stakeholders without any distinction or detailed conditions.
- To allow the stakeholders including the individuals and entities to communicate freely with the board of directors or the executive management to express their concerns towards any illegal or unethical behaviors that does not prejudice their rights.

Tenth Rule:

Enhancement and improvement of performance

Since its establishment, the company has been keen on strengthening the institutional values of its employees through the participation of all departments in drawing up the estimated budget and creating the cooperation between all departments regarding the nature of its work to achieve the desired objectives and linking them to the executive Authority's performance standards. Accordingly, the training needs of all departments that may be training courses or workshops are limited.

The performance of each of the members of the Board of Directors and the Executive Management is assessed in accordance with the periodic regulations through the key performance indicators related to the achievement of the Company's strategic objectives, in addition to evaluating the executive management annually to identify the strengths and weaknesses and support them to achieve the desired strategy in addition to assessing the performance of the Board of Directors through the performance of the committees emanating, the accuracy of the work of risks management and the adequacy of Internal Control Regulations to assess the performance.

The creation of institutional values with the Company's employees is established through the work of the Board of Directors by setting the institutional values (Value Creation) within the company's short and long term plan that supports the achievement of the company's strategic objectives. Mechanisms and procedures have also been developed to ensure the achievement of the institutional values of the desired objectives by motivating the employees to work hard and improve the performance.

Eleventh Rule:

Focus on the importance of social responsibility

In the belief of the Oula Company that achieving the balance between each of the objectives of the company and the objectives of the community lies in creating an environment that contributes and provides the employment opportunities for the national labor and to create the appropriate living conditions for the workforce and their families and the society as a whole through the support for the graduation projects for the university graduates and small entrepreneurs and to carry out a campaign to clean the beach in commitment to the need to unite to protect the environment. The company is also keen to participate in a campaign to donate blood and support the Charity Organizations morally and materially. The role of the company has also been extended by providing the support locally to the regional support through partnership with the International Islamic Charity Organization to provide the assistances and aids to Syrian refugees.

Report of the Audit Committee for the fiscal year ended on 31/12/2018

The Audit Committee shall be composed of the following members:

Dr. Ali Hussein Abdullah	Fadel Mohamed Al-Sarrafa	Ali Abdullah Al-Baghli
Chairman of the Committee	Vice-Chairman of the Committee	Committee member

Note: the absence of Member Dr. Ali Hussein Abdullah from attendance because he has travelled outside the country for treatment.

The Audit Committee was formed on the basis of the Board of Directors' decision dated 10/8/2017, Meeting No. 3/2017. The Chairman and Vice-Chairman were elected at the meeting of the Committee on 6/11/2017. The Committee shall have three years' validity with the membership term of the Board of Directors.

Committee's Meetings:

During 2018, the Committee was held five meetings.

Achievements of Committee during 2018

- Recommendation to the Board of Directors to approve the financial statements for the fiscal year ended on 31/12/2017.
- Recommendation to the Board of Directors to approve the quarterly financial statements for the current year.
- Recommendation to the Board of Directors to choose the internal audit offices.
- Supervision and audit of the internal audit.
- Appointing an external auditor to review and prepare the report of the Annual Internal Control Regulations (ICR) through a certified
- independent auditor other than the Company's external auditors to ensure the adequacy of the internal control Regulations.

Committee's Opinion Regarding the Company's Internal Control Environment:

The Audit Committee of the Board of Directors monitors the implementation of the general policies and procedures of the internal audit regulations. The Audit Committee also reviews the proposed annual plan for the audit work inside the company, whereas the Committee held regularly its periodical meetings with the internal auditor in which it discussed the reports, review the previous recommendations and the extent of response to those recommendations, in order to identify the risks and obstacles that may be exposed to the company, the degree of importance and trying to avoid those risks and the development of internal control Regulations, in addition to that the Committee follows up and supervises the work of internal audit based on the risk assessment, the Committee believes that the Company has an adequate and effective control environment, as most of the material gaps are dealt with and completing all remaining gaps are under way with less significant impact or are being minimized or minimized by the Executive Management. The committee also noted the keenness of the executive body to implement the internal control mechanisms and Regulations to ensure the protection of the company's assets and to ensure the validity of the data in addition to the efficiency of the operational processes of the company and the adequacy of its financial and administrative aspects.

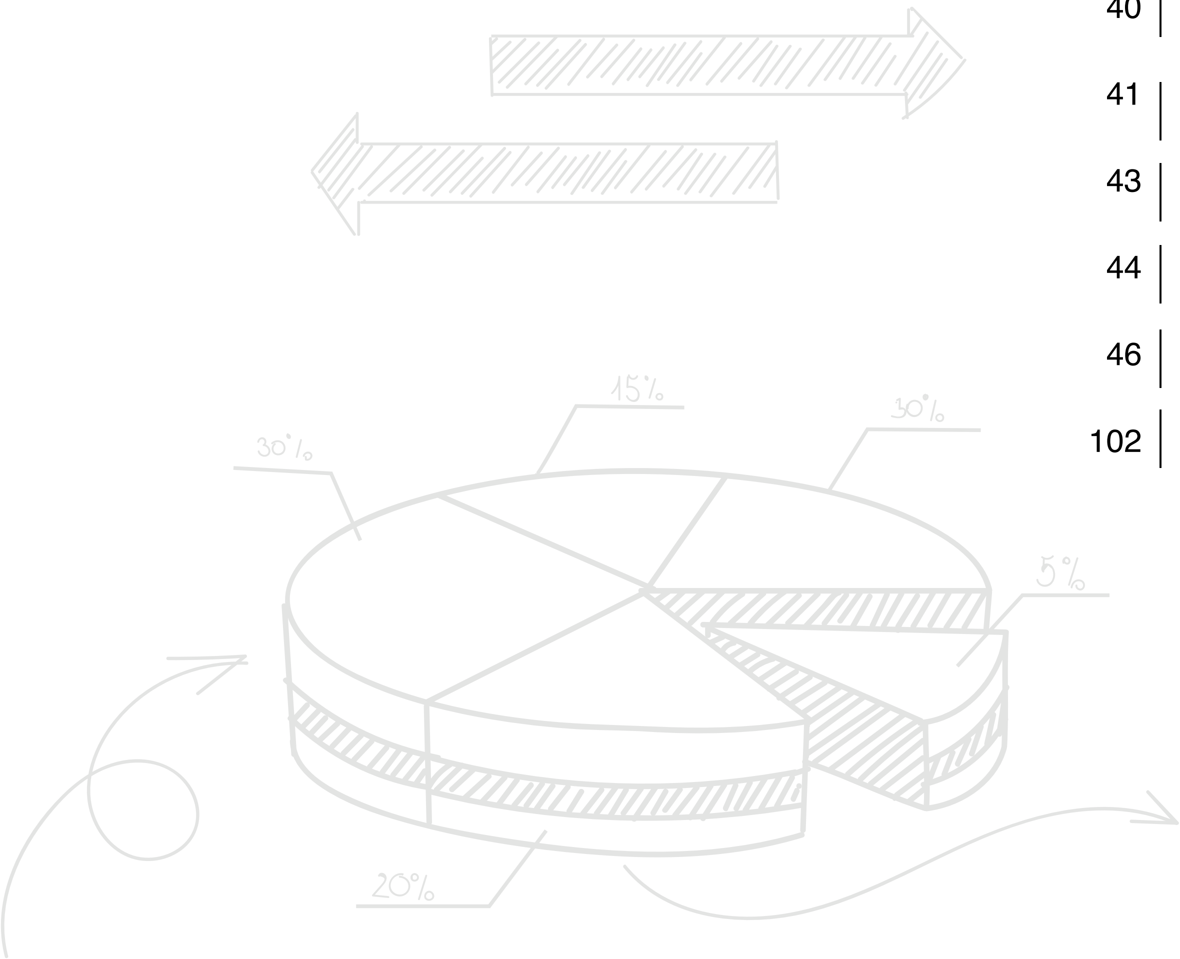
OULA LOCAL FUEL MARKETING COMPANY K.S.C.P AND ITS SUBSIDIARY

Consolidated Financial Statements

And Independent Auditors Report

For the year ended December 31,2018

CONTENTS



Grant Thornton
القطامي والعيبان وشركاهم
Big Souq Building - Tower A - 9th Floor
Tel.: (965) 22443900-9
Fax: (965) 22438451
P.O. Box: 2986 Safat - 13030 Kuwait
gt@kw.gt.com
www.gtkuwait.com

مزارز
هند عبدالله السريع وشركائها - محاسبون قانونيون
B.O. Box: 23105 - Safat
Pastal Code 13092, Kuwait
Tel.: +965 22470462 / 4
Fax: +965 2247-463
Web Site: www.mazars.com.kw

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

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Oula Fuel Marketing Company - KSCP ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 2018, 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 *Auditors' 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 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS of OULA FUEL MARKETING COMPANY K.S.C.P. (continued)

Basis for Opinion (continued)

Other Matter

The consolidated financial statement of the Group for the year ended 31 December 2017 were audited by other auditors who issued an unqualified audit report on 19 March 2018.

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. We have determined the matters described below as the key audit matters.

Valuation of investment properties

The Group's investment properties represent a significant part of the Group's total assets. The valuation of investment properties is a significant judgment area requiring a number of assumptions including rental values, occupancy rates, capitalisation rate, market knowledge and historical transactions for other properties. Changes in these assumptions and judgments could lead to significant movements in valuation of investment properties and consequently unrealized gains or losses in the consolidated statement of profit or loss. The Group's disclosures about its investment properties are included in Note 12.

Our audit procedures included assessing the appropriateness of management's process for reviewing and assessing the work of the external valuers and the valuations including management's consideration of competence and independence of the external valuers. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties including discussions with the management and challenging the estimates, assumptions and valuation methodology used in assessing the fair value of investment properties. We also obtained the underlying information provided by management to the independent valuers in relation to valuation assumptions to confirm that it was consistent with the information obtained during our audit.

Valuation of unquoted investments at fair value through other comprehensive income (FVTOCI)

The Group's investments in unquoted investments at FVTOCI represent a significant part of the Group's total assets. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models and not on quoted prices in active markets. Therefore, there is significant measurement uncertainty involved in these valuations. As a result, the valuation of these instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its investments at fair value through other comprehensive income are included in Note 15.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS of OULA FUEL MARKETING COMPANY K.S.C.P. (continued)

Valuation of unquoted investments at fair value through other comprehensive income (FVTOCI) (continued)

Our audit procedures included agreeing carrying value of the unquoted investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Other information included in the Group's Annual Report for the year ended 31 December 2018

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report for the year ended 31 December 2018, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS of OULA FUEL MARKETING COMPANY K.S.C.P. (continued)

Auditors' Responsibilities for the Audit of the 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 auditors' 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 on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 the purpose of 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS of OULA FUEL MARKETING COMPANY K.S.C.P. (continued)

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

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 auditors' 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 Regulations, as amended, 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, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Hend Abdullah Al Surayea
(Licence No. 141-A)
Hend Abdullah Al Surayea & Co. - Member of MAZARS

Kuwait
5 March 2019

Consolidated statement of profit or loss

	Notes	**Year ended 31 Dec. 2018 KD**	Year ended 31 Dec. 2017 KD
Revenue			
Sales		**154,646,132**	148,333,395
Cost of sales	27	**(141,814,270)**	(135,980,290)
Operating expenses		**(9,582,461)**	(8,584,752)
Gross profit		**3,249,401**	3,768,353
Gain from sale of available for sale investments		**-**	108,412
Impairment loss on available for sale investments		**-**	(524,809)
Change in fair value on revaluation of investment properties	12	**(1,303,357)**	(148,000)
Share of results of associates	14	**426,496**	270,394
Dividend income		**418,997**	368,260
Rental income		**854,464**	920,242
Interest income		**119,300**	92,269
Other income	7	**2,682,255**	2,316,760
Reversal of provision for doubtful debts	17	**1,556,760**	-
		8,004,316	7,171,881
Expense and other charges			
Staff costs		**(1,687,779)**	(1,397,631)
General and administrative expenses		**(1,831,854)**	(1,502,536)
Finance costs		**(471,922)**	(489,714)
		(3,991,555)	(3,389,881)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		**4,012,761**	3,782,000
Provision for KFAS		**(32,102)**	(31,588)
Provision for NLST		**(93,360)**	(86,843)
Provision for Zakat		**(32,786)**	(36,508)
Directors' remuneration		**(45,000)**	(45,000)
Profit for the year		**3,809,513**	3,582,061
Basic and diluted earnings per share	8	**9.56 Fils**	8.99 Fils

The notes set out on pages 11 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Profit for the year	**3,809,513**	3,582,061
Other comprehensive income/(loss):		
Items that will be reclassified subsequently to consolidated statement of profit or loss:		
Available for sale investments:		
- Transferred to consolidated statement of profit or loss on sale	**-**	(1,001,920)
- Net change in fair value during the year	**-**	(108,412)
- Transferred to consolidated statement of profit or loss on impairment	**-**	524,809
Total other comprehensive loss that may be reclassified to consolidated statement of profit or loss in subsequent periods	**-**	(585,523)
Items that will not be reclassified subsequently to consolidated statement of profit or loss:		
Equity investments at fair value through other comprehensive income:		
- Net change in fair value during the year	**1,863,785**	-
Total other comprehensive income that will not be reclassified to consolidated statement of profit or loss in subsequent periods	**1,863,785**	-
Total other comprehensive income/(loss)	**1,863,785**	(585,523)
Total comprehensive income for the year	**5,673,298**	2,996,538

The notes set out on pages 11 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2018 KD	31 Dec. 2017 KD
Assets			
Property and equipment	9	**19,185,220**	16,420,690
Intangible assets	10	**1,141,870**	1,206,292
Leasehold rights	11	**13,648,250**	14,501,266
Investment properties	12	**11,625,643**	12,929,000
Investment property under development	13	**15,978,064**	-
Investments in associates	14	**13,562,145**	12,081,969
Investments at fair value through other comprehensive income	15	**24,990,616**	-
Available for sale investments	16	**-**	16,814,423
Inventories		**649,234**	781,164
Accounts receivable and other assets	17	**2,000,121**	3,889,666
Term deposits	18	**5,259,440**	4,807,779
Cash and bank balances	18	**7,962,113**	7,910,060
Total assets		**116,002,716**	91,342,309
Equity and liabilities			
Equity			
Share capital	19	**40,456,810**	40,456,810
Treasury shares	20	**(1,458,518)**	(1,458,518)
Treasure shares reserve		**86,127**	86,127
Statutory reserve	21	**5,209,248**	4,807,972
Voluntary reserve	21	**5,209,248**	4,807,972
Fair value reserve		**3,833,476**	(220,514)
Retained earnings		**13,409,722**	12,487,233
Total equity		**66,746,113**	60,967,082

Consolidated statement of financial position (continued)

Liabilities			
Provision for employees' end of service benefits		**665,517**	554,517
Murabaha payable	22	**6,655,250**	5,258,750
Term loans	23	**16,477,012**	3,666,667
Wakala payable	24	**2,000,000**	-
Accounts payable and other liabilities	25	**8,799,268**	7,414,434
Due to related parties	27	**14,321,230**	13,480,859
Due to bank	18	**338,326**	-
Total liabilities		**49,256,603**	30,375,227
Total liabilities and equity		**116,002,716**	91,342,309

The notes set out on pages 11 to 51 form an integral part of these consolidated financial statements.

Abdul Hussain S. Al Sultan
(Chairman)

Adel Mohammed Al-Awdi
(Chief Executive Officer)

Consolidated statement of changes in equity

	Share capital KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Retained earnings KD	Total KD
Balance at 31 December 2017	**40,456,810**	**(1,458,518)**	**86,127**	**4,807,972**	**4,807,972**	**(220,514)**	**12,487,233**	**60,967,082**
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (note 3.1)	-	-	-	-	-	**2,097,811**	-	**2,097,811**
Balance at 1 January 2018 (Restated)	**40,456,810**	**(1,458,518)**	**86,127**	**4,807,972**	**4,807,972**	**1,877,297**	**12,487,233**	**63,064,893**
Cash dividends (Note 26)	-	-	-	-	-	-	**(1,992,078)**	**(1,992,078)**
Transactions with shareholders	-	-	-	-	-	-	**(1,992,078)**	**(1,992,078)**
Profit for the year	-	-	-	-	-	-	**3,809,513**	**3,809,513**
Total other comprehensive income	-	-	-	-	-	**1,863,785**	-	**1,863,785**
Total comprehensive income for the year	-	-	-	-	-	**1,863,785**	**3,809,513**	**5,673,298**
Transfer to reserves	-	-	-	**401,276**	**401,276**	-	**(802,552)**	-
Realised loss on sale of equity investments at FVOCI (Note 15)	-	-	-	-	-	**92,394**	**(92,394)**	-
Balance as at 31 December 2018	**40,456,810**	**(1,458,518)**	**86,127**	**5,209,248**	**5,209,248**	**3,833,476**	**13,409,722**	**66,746,113**
Balance at 31 December 2016	40,456,810	(1,458,518)	86,127	4,429,772	4,429,772	365,009	11,653,650	59,962,622
Cash dividends (Note 26)	-	-	-	-	-	-	(1,992,078)	(1,992,078)
Transactions with shareholders	-	-	-	-	-	-	(1,992,078)	(1,992,078)
Profit for the year	-	-	-	-	-	-	3,582,061	3,582,061
Total other comprehensive loss	-	-	-	-	-	(585,523)	-	(585,523)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(585,523)	3,582,061	2,996,538
Transfer to reserves	-	-	-	378,200	378,200	-	(756,400)	-
Balance as at 31 December 2017	40,456,810	(1,458,518)	86,127	4,807,972	4,807,972	(220,514)	12,487,233	60,967,082

The notes set out on pages 11 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
OPERATING ACTIVITIES			
Profit for the period		**3,809,513**	3,582,061
Adjustments:			
Amortization		**917,438**	917,438
Depreciation		**1,348,002**	1,287,114
Loss from write off of property and equipment		**206,396**	-
Gain from sale of available for sale investments		**-**	(108,412)
Impairment loss on available for sale investments		**-**	524,809
Change in fair value on revaluation of investment properties		**1,303,357**	148,000
Share of results of associates		**(426,496)**	(270,394)
Reversal of provision for doubtful debts		**(1,556,760)**	-
Dividend income		**(418,997)**	(368,260)
Interest income		**(119,300)**	(92,269)
Finance costs		**471,922**	489,714
Provision for employees' end of service benefits		**140,809**	84,728
		5,675,884	6,194,529
Changes in operating assets and liabilities:			
Inventories		**131,930**	(124,169)
Accounts receivable and other assets		**3,445,830**	6,693,401
Accounts payable and other liabilities		**750,190**	1,378,503
Due to related parties		**840,371**	1,025,972
Employees' end of service benefits paid		**(29,809)**	(9,876)
Net cash from operating activities		**10,814,396**	15,158,360
INVESTING ACTIVITIES			
Additions to property and equipment		**(4,318,928)**	(3,448,185)
Purchase of investments at fair value through other comprehensive income		**(9,564,747)**	-
Proceeds from sale of investments at fair value through other comprehensive income		**5,350,150**	-
Purchase of available for sale investments		**-**	(4,519,935)

Proceeds from sale of available for sale investments		**-**	375,800
Additions to investments in associate		**(1,053,680)**	(3,285,562)
Movement of term deposits		**482,629**	3,984,891
Purchase of investment property under development	13	**(15,000,000)**	-
Additions to investment property under development	13	**(978,064)**	-
Dividend income received		**418,997**	368,260
Interest income received		**119,772**	92,269
Net cash used in investing activities		**(24,543,871)**	(6,432,462)
FINANCING ACTIVITIES			
Payment of cash dividend		**(1,357,431)**	(1,779,929)
Receipt of murabaha		**2,100,000**	-
Repayment of murabaha		**(703,500)**	(703,500)
Proceeds from term loans		**15,477,012**	-
Repayment of term loans		**(2,666,667)**	(1,497,500)
Receipt of wakala payable		**2,000,000**	-
Finance costs paid		**(471,922)**	(489,714)
Net cash from/(used in) financing activities		**14,377,492**	(4,470,643)
Increase in cash and cash equivalents		**648,017**	4,255,255
Cash and cash equivalents at beginning of the period	18	**10,446,664**	6,191,409
Cash and cash equivalents at end of the period	18	**11,094,681**	10,446,664
Non cash transactions:			
Additions to available for sale investments through accounts receivable and other assets		**-**	6,953,437

The notes set out on pages 11 to 51 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Incorporation and activities

Oula Fuel Marketing Company – KSCP ("the Parent Company") is a Kuwaiti shareholding company incorporated on 17 May 2004 and commenced its operations on 9 May 2006. The Parent Company's shares were listed on the Kuwait Stock Exchange on 18 December 2006.

- The main objectives of the Parent Company are as follows:
- Acquisition, establishment, leasing, operating, and maintenance of petrol stations and their customers service centres, to provide all automobile services including changing of oil, car wash, maintenance workshop services and technical check-ups;
- The ability to fill and store fuel and to shop and trade in petroleum products in bulk or retail;
- Purchase and lease lands and real estate;
- Utilising the financial surpluses of the Parent Company by investing in financial and real estate portfolios managed by specialised companies and entities;
- Utilising the financial surpluses of the Parent Company by investing in portfolios managed by specialised companies and entities;
- Carrying on sales activities of the prepaid fuel cards and newest related electronic services;
- Buying or selling the company's shares but not exceeding 10% from its shares as per stated in the executive regulation of Law No 7 of 2010 concerning the establishment of CMA and regulating securities activity.

The Parent Company may have interests or participate in any suitable way with entities that are engaged in similar business activities of the Parent Company to achieve its objectives inside Kuwait and abroad without conflict with the Articles of Association of the Parent Company.

The Group comprises the Parent Company and its subsidiaries (note 6).

The address of the Parent Company's registered office is located in Al-Qebla area, P.O. Box 29009, Safat 13151, State of Kuwait.

These consolidated financial statements for the year ended 31 December 2018 were authorised for issue by the board of directors of the Parent Company on 5 March 2019 and are subject to the approval of the general assembly of the shareholders. The Parent Company shareholder's general assembly has the power to amend these consolidated financial statements after issuance.

2. Statement of compliance

These 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) and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

3. Changes in accounting policies

3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the Group. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 9 Financial Instruments: Classification and Measurement

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of impact are as follows:

- the classification and measurement of the financial assets are based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment is recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.

3. Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments: Classification and Measurement (continued)

- it is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value are presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements are presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL). The standard eliminates the IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) are now recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI are now recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets continues to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 1 January 2018 and of the circumstances that existed at that date, management of the Parent Company have determined the impact of implementation of IFRS 9 on the consolidated financial statements of the Group as follows:

Classification and measurement:

Equity investments amounting to KD16,814,423 have been reclassified from Available for Sale investments to FVOCI.

Trade receivables and other financial assets are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

3. Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments: Classification and Measurement (continued)

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	IAS 39		IFRS 9	
	Classification	**Carrying amount**	**Classification**	**Carrying amount**
		KD		KD
Financial assets				
Equity securities -quoted	AFS	9,073,211	FVTOCI	9,073,211
Equity securities -unquoted	AFS	7,741,212	FVTOCI	9,839,023
Term deposits with original maturity exceeding three months	Loans and receivables	2,271,175	Amortised cost	2,271,175
Accounts receivable and other assets (excluding prepayments and advances)	Loans and receivables	929,120	Amortised cost	929,120
Cash and cash equivalents	Loans and receivables	10,446,664	Amortised cost	10,446,664
Total financial assets		30,461,382		32,559,193

There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

Impairment:

IFRS 9 requires the Group to record expected credit losses (ECL) on all of its financial assets measured at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Under IFRS 9, the Group measures ECL as follows:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

3. Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments: Classification and Measurement (continued)

The Group has applied simplified approach to impairment for trade receivables and other financial assets as required or permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Management determined that the additional impairment required by this standard was not material and accordingly, the Group did not recognise any additional impairment losses on its financial assets measured at amortised cost.

Summary of impact on application of IFRS 9:

As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

The implementation of IFRS 9 has resulted in the following impact:

	31 Dec. 2017	Adjustments/ reclassification	1 Jan. 2018
	KD	KD	KD
Assets			
Available for sale investments	16,814,423	(16,814,423)	-
Investments at fair value through other comprehensive income	-	18,912,234	18,912,234
Term deposits with original maturity exceeding three months	2,271,175	-	2,271,175
Accounts receivable and other assets (excluding prepayments and advances)	929,120	-	929,120
Cash and cash equivalents	10,446,664	-	10,446,664
Equity			
Fair value reserve	(220,514)	2,097,811	1,877,297

3. Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 “Revenues”, IAS 11 “Construction Contract” and several revenue related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
    * non-cash consideration and asset exchanges
    * contract costs

3. Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

* rights of return and other customer options
* supplier repurchase options
* warranties
* principal versus agent
* licencing
* breakage
* non-refundable upfront fees, and
* consignment and bill-and-hold arrangements.

Adoption of this standard did not have a significant impact on the Group's consolidated financial statements.

IFRS 40 Investment Property - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

3. Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture – Amendments	No stated date
IFRS 16 Leases	1 January 2019
IAS 28 - Amendments	1 January 2019
IAS 1 and IAS 8 – Amendments	1 January 2020

3. Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor›s financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

3. Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

4.1 Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention except for investments at fair value through other comprehensive income and investment properties that are measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

The Group has elected to present the "statement of comprehensive income" in two statements: the "statement of profit or loss" and the "statement of profit or loss and other comprehensive income".

4.2 Basis of consolidation

The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

4. Significant accounting policies (continued)

4.2 Basis of consolidation (continued)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

4. Significant accounting policies (continued)

4.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 4.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 4.25 for a description of impairment testing procedures.

4.5 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its' associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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 associate. 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 amount under a separate heading in the consolidated statement of profit or loss.

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

4. Significant accounting policies (continued)

4.6 Revenue

The Group recognises revenue from the following major sources:

- Sale of fuel
- Rendering of services

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer. The Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable, if any, in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.6.1 Sale of fuel

Sale of fuel income is recognised when the Group satisfies performance obligations by transferring the promised goods or services to its customers at an agreed rate.

4.6.2 Rendering of services

The Group earns service income from diverse range of services provided to its customers and is recognised at pre-agreed rates in accordance with the respective contracts with customers.

4. Significant accounting policies (continued)

4.7 Rental income

Rental income is recognised on a straight line basis over the lease term.

4.8 Interest income on financial assets

Interest income is recognised on an accrual basis using the effective interest method.

4.9 Dividend income

Dividend income, other than those from investment in associates, is recognised at the time the right to receive payment is established.

4.10 Operating expenses

Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

4.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.12 Taxation

4.12.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that Board of Directors' remuneration, transfer to statutory reserve and any accumulated losses should be excluded from profit for the year when determining the contribution.

4.12.2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' remuneration for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

4.12.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior year is permitted.

4. Significant accounting policies (continued)

4.13 Segment reporting

The Group has two operating segments: fuel marketing and other related services and investments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.14 Property and equipment

Property and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

The following useful lives are applied:

Fuel stations	15 to 26 years
Furniture and decoration	4 years
Computer	4 years
Equipment	4 years
Vehicles	4 year

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

4. Significant accounting policies (continued)

4.15 Intangible assets

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

The useful lives of intangible assets are assessed to be 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 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 amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment 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 profit or loss when the asset is derecognised.

4.16 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 (26 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 profit or loss.

Gains or losses arising from derecognition of a 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 profit or loss when the asset is derecognised.

4. Significant accounting policies (continued)

4.17 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss within “change in fair value of investment properties” and “gain/loss on sale of investment properties”

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 fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

4.18 Investment properties under development

Investment properties under development represent properties held for future use as investment property and is initially measured at cost. Subsequently, property under development is carried at fair value that is determined based on valuations performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value becomes reliably determinable or development is completed (whichever is earlier).

4.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost are those expenses incurred in bringing each products to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4. Significant accounting policies (continued)

4.20 Financial instruments

4.20.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is primarily derecognised when:

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; 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 risks and rewards of the asset, but has transferred control of the asset.

Where 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, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 consolidated statement of profit or loss.

4.20.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVTOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

4. Significant accounting policies (continued)

4.20 Financial instruments (continued)

4.20.2 Classification of financial assets (continued)

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch

4.20.3 Subsequent measurement of financial assets

a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

- Accounts receivable and other assets

Accounts receivable and other assets are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- Cash, bank balances and term deposits

Cash and cash equivalents comprise cash on hand, bank balances 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. Deposits placed with financial institutions with a maturity of three months to one year are classified as term deposits.

4. Significant accounting policies (continued)

4.20 Financial instruments (continued)

4.20.3 Subsequent measurement of financial assets (continued)

b) Financial assets at FVTOCI

The Group's financial assets at FVTOCI comprise of investments in equity shares of various companies and include both quoted and unquoted.

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

Equity investments at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised

in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

4. Significant accounting policies (continued)

4.20 Financial instruments (continued)

4.20.4 Impairment of financial assets

All financial assets except for those at FVTPL and Equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets at amortised cost or at FVTOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the

magnitude of the loss if there is a default) and the exposure at the probability of default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date.

The Group recognises lifetime ECL for trade receivables and other assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4. Significant accounting policies (continued)

4.20 Financial instruments (continued)

4.20.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include accounts payable and other liabilities, due to related parties and borrowings from financial institutions.

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

- **Financial Liabilities at amortized cost**

– *Accounts payable and other liabilities*

Accounts payable and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

– *Due to related party*

Amounts due as a result of transactions with related parties and cash advances from related party are included under due to related party

– *Borrowings*

All borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

– *Murabaha and Wakala payable*

Murabaha and Wakala payable represent amount payable on deferred settlement basis for assets purchases under murabaha and wakala arrangements. Murabaha and wakala payable are stated at the total amount payable, less deferred finance costs. Deferred finance cost is expensed on a time apportionment basis taking account of the borrowing rate attributable and the balance outstanding.

4.21 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4. Significant accounting policies (continued)

4.22 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.23 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

4.24 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

4.25 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating units. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating units. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4. Significant accounting policies (continued)

4.26 Equity, reserves and dividend payments

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the Parent Company's memorandum of incorporation and articles of association.

Fair value reserve – comprises gains and losses relating to investments at fair value through other comprehensive income.

Retained earnings include all current and prior period retained profits. All transactions with the shareholders of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general assembly meeting.

4.27 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, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

4.28 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

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

4. Significant accounting policies (continued)

4.29 Foreign currency translation

4.29.1 Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4.29.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.30 Employees' end of service benefits

The Group provides end of service benefits to its employees. 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 in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, in addition to the end of service benefits, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

4.31 Related party transactions

Related parties represent subsidiaries, associates, major shareholders, 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 Group's management.

5. Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

5. Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.20). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

5.1.3 Control assessment

When determining control, the management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

5.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

5.2.1 Impairment of goodwill and other intangible assets

The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. 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.

5. Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.2 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of 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 amount in the consolidated statement of profit or loss.

5.2.3 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair value as at 31 December 2018 and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

5.2.4 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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.

5.2.5 Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

5. Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.6 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain property and equipment.

5.2.7 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

5.2.8 Significant influence

Significant influence exists when the size of an entity’s own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the Group.

6. Subsidiary companies

6.1 The details of the subsidiaries are as follows:

Name of subsidiary	Ownership percentage		Country of incorporation	Principal activities
	31 Dec. 2018	31 Dec. 2017		
	%	%		
Ultra Holding Company K.S.C. (Closed) and its subsidiaries as follows: (see 6.2)	**96%**	96%	State of Kuwait	Operating central markets
Quick International Car Service Company K.S.C. (Closed)	**96%**	96%	State of Kuwait	Car services
Ultra Supermarkets Services Company K.S.C. (Closed)	**96%**	96%	State of Kuwait	Marketing services
Ultra Consulting Company W.L.L.	**96%**	96%	State of Kuwait	Consultancy services
Nahda International Real Estate – WLL (see 6.3)	**99%**	-	State of Kuwait	Consultancy services

6.2 Effective ownership percentage is 100% (2017: 100%)

6.3 Acquisition of subsidiary

On 16 May 2018, the Group acquired 100% controlling interest of a new subsidiary, Nahda International Real Estate - WLL, for a purchase consideration of KD20,000 and it has been accounted for in accordance with IFRS 3 as follows:

	Amount-KD
Total value of consideration	**20,000**
Less: Recognised amount of identifiable assets acquired and liability assumed	
Bank balance	**(20,000)**
Goodwill	**-**

The results of the newly acquired subsidiary was consolidated in the Group's results from 16 May 2018. Accordingly, Nahda International Real Estate - WLL as a subsidiary contributed revenue and profit of KD Nil and KD Nil to the results of the Group, respectively.

7. Other income

Other income represents income from car wash, quick services, store rents and third parties media advertising, all over the fuel stations.

8. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding excluding treasury shares, during the year as follows:

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
Profit for the year (KD)	**3,809,513**	3,582,061
Weighted average number of shares outstanding during the year	**404,568,114**	404,568,114
Less: weighted average number of treasury shares	**(6,127,761)**	(6,127,761)
	398,440,353	398,440,353
Basic and diluted earnings per share	**9.56 Fils**	8.99 Fils

9. Property and equipment

	Fuel stations	Furniture and decoration	Computers	Equipment	Vehicles	Projects under construction	Total
31 December 2018	KD	KD	KD	KD	KD	KD	KD
Cost							
At 1 January 2018	19,860,982	680,054	2,346,677	1,231,509	19,511	3,858,162	27,996,895
Additions	-	-	-	-	861,615	3,457,313	4,318,928
Transfers from projects under construction	4,232,078	13,039	25,057	62,242	-	(4,332,416)	-
Write off	(617,966)	(2,106)	(86,838)	(116,936)	-	-	(823,846)
At 31 December 2018	23,475,094	690,987	2,284,896	1,176,815	881,126	2,983,059	31,491,977
Accumulated depreciation							
At 1 January 2018	7,833,670	640,322	2,173,345	916,192	12,676	-	11,576,205
Charge for the year	1,060,800	27,598	98,776	158,877	1,951	-	1,348,002
Relating to write off	(439,074)	(1,616)	(79,759)	(97,001)	-	-	(617,450)
At 31 December 2018	8,455,396	666,304	2,192,362	978,068	14,627	-	12,306,757
Net book value							
At 31 December 2018	15,019,698	24,683	92,534	198,747	866,499	2,983,059	19,185,220

9. Property and equipment (continued)

	Fuel stations	Furniture and decoration	Computers	Equipment	Vehicles	Projects under construction	Total
	KD	KD	KD	KD	KD	KD	KD
31 December 2017							
Cost							
At 1 January 2017	**18,519,018**	**649,288**	**2,289,194**	**1,198,925**	**11,700**	**1,880,585**	**24,548,710**
Additions	**-**	**-**	**-**	**-**	**7,811**	**3,440,374**	**3,448,185**
Transfers from projects under construction	**1,341,964**	**30,766**	**57,483**	**32,584**	**-**	**(1,462,797)**	**-**
At 31 December 2017	**19,860,982**	**680,054**	**2,346,677**	**1,231,509**	**19,511**	**3,858,162**	**27,996,895**
Accumulated depreciation							
At 1 January 2017	6,912,052	604,262	2,029,840	732,700	10,237	-	10,289,091
Charge for the year	921,618	36,060	143,505	183,492	2,439	-	1,287,114
At 31 December 2017	7,833,670	640,322	2,173,345	916,192	12,676	-	11,576,205
Net book value							
At 31 December 2017	12,027,312	39,732	173,332	315,317	6,835	3,858,162	16,420,690

Depreciation for the year has been allocated as follows:

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Operating expenses	**1,263,178**	1,015,110
General and administrative expenses	**84,824**	272,004
	1,348,002	1,287,114

Fuel stations, totalling 43 stations (43 stations in 2017), are constructed on lands leased from the Government of Kuwait on long term lease for a period of 26 years renewable and amortised over the lease period. Projects under construction represents major renovations and significant improvements being carried out at the fuel stations.

10. Intangible assets

	31 Dec. 2018 KD	31 Dec. 2017 KD
Cost		
At 31 December	**1,786,090**	1,786,090
Accumulated amortisation		
At 1 January 2018	**579,798**	515,376
Charge for the year	**64,422**	64,422
At 31 December	**644,220**	579,798
Net book value		
At 31 December	**1,141,870**	1,206,292

Intangible assets represent the costs of commercial licenses of the fuel stations which are amortised on a straight line basis over a useful economic life of 26 years.

11. Leasehold rights

	31 Dec. 2018 KD	31 Dec. 2017 KD
Cost		
At 31 December	**22,178,410**	22,178,410
Accumulated amortisation		
At 1 January 2018	**7,677,144**	6,824,128
Charge for the year	**853,016**	853,016
At 31 December	**8,530,160**	7,677,144
Net book value		
At 31 December	**13,648,250**	14,501,266

Leasehold rights represent the cost of right of use of the lands of fuel stations, which are amortised on a straight line basis over a useful economic life of 26 years.

12. Investment properties

Movement in the carrying amount of the investment properties is as follows:

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Carrying amount at the beginning of the year	**12,929,000**	13,077,000
Change in fair value during the year	**(1,303,357)**	(148,000)
Carrying amount at the end of year	**11,625,643**	12,929,000

a) Investment properties amounting to KD11,625,643 were valued by two independent evaluators using income capitalisation method where a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate, assuming full capacity of the properties that reflect recent transactions prices for similar properties. Loss amounting to KD1,303,357 (2017: KD148,000) was recognised arising from the revelations.

b) Investment property with a carrying value of KD1,301,000 (31 December 2017: KD1,376,000) is mortgaged against murabaha payable obtained from an Islamic financial institution (refer note 22).

c) Investment properties with a carrying value of KD10,324,643 (31 December 2017: KD11,553,000) are registered in the name of nominees, which confirmed in writing that the Group has the beneficial ownership of those properties. The ownership of the properties is in the process of being transferred.

d) All investment properties are managed by specialised companies.

13. Investment property under development

Movement in the carrying amount of the investment property under development is as follows:

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Carrying amount at the beginning of the year	**-**	-
Purchase of investment property under development during the year	**15,000,000**	-
Additions to investment property under development during the year	**978,064**	-
Carrying amount at the end of year	**15,978,064**	-

-

13. Investment property under development (continued)

- During the period, the Group acquired an investment property under development for the total consideration of KD15,000,000 which was financed through a long term loan facility (note 23). The property is mortgaged against the term loan facility.
- The additions to the investment property under development mainly represent the amounts incurred during the year for the development of the property.
- Finance costs of KD359,744 (31 December 2017: KD Nil) have been capitalized during the year.

14. Investment in associates

14.1 Details of the investment in associates are given below:

Name of associate	Ownership percentage		Country of incorporation	Principal activities
	31 Dec. 2018	31 Dec. 2017		
	%	%		
National Leasing and Financing Company - KSC (Closed)	**33.25**	29.37	State of Kuwait	Leasing and investments
Petro Net Smart Network Company – KSC (Closed) – (see a below)	**-**	25.00	State of Kuwait	Network Company

a) During the year and based on the final settlement agreement reached with the management of Petro Net Smart Network Company - KSC (Closed), the Group disposed of this associate which was fully impaired in prior years with a carrying value of KD Nil resulting in no gain or loss.

b) All the above associates are unquoted.

14. Investment in associates (continued)

14.2 Movement in the carrying amount of the investment in associates is as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Carrying amount at the beginning of the year	**12,081,969**	8,526,013
Share of results for the year	**426,496**	270,394
Additional investment made during the year*	**1,053,680**	3,285,562
Carrying amount at the end of year	**13,562,145**	12,081,969

* During the year, the Group increased its ownership interest in National Leasing and Financing Company - KSC (Closed) by 3.88% (2017: 8.24%) and was able to continue exercising significant influence over the operations of this investee company. There is no significant difference between the fair value and the book value of the acquired portion of 3.88% (2017: 8.24%).

The Group's share of results in National Leasing and Financing Company - KSC (Closed) has been accounted for using equity method based on management accounts as at and for the year ended 31 December 2018.

14.3 Summarised financial information of Group's material associate is set out below:

a) National Leasing and Financing Company - KSC (Closed)

	31 Dec. 2018 KD	31 Dec. 2017 KD
Total assets	**68,076,377**	64,088,357
Total liabilities	**26,853,767**	22,459,681
Net assets	**41,222,610**	41,628,676

14. Investment in associates (continued)

14.3 Summarised financial information of Group's material associate is set out below: (continued)

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Revenue	**5,019,535**	4,532,984
Profit for the year	**1,370,103**	1,353,462
Group's share of results	**426,496**	270,394

There are no contingent liabilities relating to the Parent Company's interest in the above associate.

15. Investments at fair value through other comprehensive income

	31 Dec. 2018 KD	31 Dec. 2017 KD
Local quoted securities held through managed portfolios	**10,058,705**	-
Local unquoted securities held through managed portfolios*	**14,543,363**	-
Foreign unquoted securities held through managed portfolio	**388,548**	-
	24,990,616	-

These investments are held in equity instruments for medium to long term strategic objectives. Accordingly, the management has chosen to identify these investments in equity instruments as investments at fair value through other comprehensive income where it is believed that the recognition of short-term fluctuations in the fair value of these investments in the statement of profit or loss will not be consistent with the Group's strategy to hold such investments for long-term purposes and realizing their performance potential in the long term.

During the period, the Group sold investments at fair value through other comprehensive income with a total cost of KD5,442,544 for a total consideration of KD5,350,150 resulting into a loss of KD92,394 recognized directly in retained earnings within equity.

*Local unquoted securities held through managed portfolio include shares of United Land Real Estate Company - KSC(Closed) with a value of KD1,556,760 which was transferred by Petro Net Smart Company – KSC (Closed) during the year (refer note 33) as settlement in kind.

16. Available for sale investments

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Local quoted securities held through managed portfolios	-	9,073,211
Local unquoted securities held through managed portfolios	-	7,352,664
Foreign unquoted securities held through managed portfolio	-	388,548
	-	16,814,423

Starting from 1 January 2018, these investments mentioned above have been reclassified to a new category (investments at fair value through other comprehensive income) as a result of applying IFRS 9 (refer note 15 and note 3.1).

17. Accounts receivable and other assets

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Financial assets:		
Trade receivables	**827,597**	3,522,010
Provision for doubtful debts (see note 17.1)	-	(2,691,956)
	827,597	830,054
Refundable deposit	**21,450**	14,450
Other receivables	**146,742**	84,616
	995,789	929,120
Non-financial assets:		
Advances to acquire investments (see note17.2)	**575,720**	2,080,000
Prepayments	**428,612**	880,546
	1,004,332	2,960,546
	2,000,121	3,889,666

17. Accounts receivable and other assets (continued)

17.1 As at 31 December, the movement of the provision for doubtful debt is as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Opening balance	**2,691,956**	2,691,956
Reversal of provision – settlement in kind note 33	**(1,556,760)**	-
Write-off during the year (note 33)	**(1,135,196)**	-
Closing Balance	**-**	2,691,956

Provision for doubtful debts for comparative figures is calculated based on measurement basis required by IAS (39), which applies the incurred loss model, while provision for doubtful debts for the current year is calculated as per IFRS (9) which is calculated based on expected credit loss model.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and nature of customers.

Management of the Parent Company determined that the impairment required by this standard was not material and accordingly the Group did not recognise any impairment losses on its trade receivables during the year.

17.2 This item represents advances paid to acquire investments which were paid to a third party amounting to KD 575,720 (31 December 2017: KD2,080,000).

During the year, management completed the purchase of an unquoted investment at fair value through other comprehensive income and accordingly, an amount of KD1,504,280 was reclassified from advances to acquire investments (above) to investments at fair value through other comprehensive income (note 15).

Management of the Parent Company expects to finalise this acquisition during the next year.

18. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents of the Group comprise of the following:

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Cash on hand and bank balances	**7,823,887**	6,801,853
Cash held in managed portfolios	**138,226**	1,108,207
	7,962,113	7,910,060
Term deposits with original maturity not exceeding three months	**3,470,894**	2,536,604
Term deposits with original maturity exceeding three months	**1,788,546**	2,271,175
	5,259,440	4,807,779
	13,221,553	12,717,839
Less: Term deposits with original maturity exceeding three months	**(1,788,546)**	(2,271,175)
Less: Due to bank	**(338,326)**	-
Cash and cash equivalents as per consolidated statement of cash flows	**11,094,681**	10,446,664

a) Term deposits carry annual effective interest rate ranging from 2.375% to 2.875% (31 December 2017: 1.55% to 2.4%).

b) Due to bank represents overdraft facility obtained from local a bank and carries annual effective interest rate of 1.75% (2017: Nil%) and is payable on demand.

19. Share capital

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Authorised, issued and fully paid in cash – 404,568,114 shares of 100 Fils each	**40,456,810**	40,456,810

20. Treasury shares

The Group holds treasury shares as follows:

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Number of shares	**6,127,761**	6,127,761
Percentage of issued shares	**1.52%**	1.52%
Market value (KD)	**704,692**	674,054
Cost (KD)	**1,458,518**	1,458,518

Reserves of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable.

21. Statutory and voluntary reserves

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit attributable to owners of the Parent Company before KFAS, NLST, Zakat and directors' remuneration for the year is to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

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

In accordance with the Parent Company's Articles of Association, up to 10% of the profit for the year attributable to owners of the Parent Company before KFAS, NLST, Zakat and directors' remuneration is to be transferred to the voluntary reserve at the discretion of the board of directors subject to the approval of the general assembly of the shareholders.

There are no restrictions on the distribution of the voluntary reserve.

22. Murabaha payable

	31 Dec. 2018 KD	31 Dec. 2017 KD
Murabaha facility of KD7,633,000	**6,655,250**	5,258,750
	6,655,250	5,258,750
Installments due within next twelve months	**(811,000)**	(601,000)
Installments due after next twelve months	**5,844,250**	4,657,750

The murabaha facility was granted to the Group by a local Islamic bank and carries an average annual profit rate of 2% (2017: 2%) above CBK discount rate.

The murabaha facility is secured against an investment property amounting to KD1,301,000 (2017: KD1,376,000) (refer note 12).

23. Term loans

	31 Dec. 2018 KD	31 Dec. 2017 KD
Local loan facility of KD 1,000,000 (See a blew)	**1,000,000**	3,666,667
Local loan facility of KD 25,000,000 (See b blew)	**15,477,012**	-
	16,477,012	3,666,667
Installments due within next twelve months	**(2,500,000)**	(1,600,000)
Installments due after next twelve months	**13,977,012**	2,066,667

a) This represents a bank loan granted by a local bank at an interest rate of 1.5% (31 December 2017: from 2.0% to 3.5%) above the Central Bank of Kuwait discount rate. This loan has been fully settled subsequent to the reporting date.

b) During the year, the Group obtained a long term loan facility from a local bank amounting to KD25,000,000 from which KD15,477,012 were utilised to finance the purchase and development of an investment property under development (note 13). The term loan carries an effective interest rate of 4.75% and matures in various instalments ending 30 September 2023 and is secured against the property.

24. Wakala payable

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Wakala payable	**2,000,000**	-
	2,000,000	-

The wakala payable facility was granted to the Group by a local Islamic bank and carries an average annual profit rate of 1.75% (2017: Nil) above CBK discount rate. The wakala payable matures on various dates ending on 7 May 2023 and is renewable.

25. Accounts payable and other liabilities

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Trade payables	**2,399,271**	1,476,764
Accrued expenses	**2,802,711**	2,513,380
Dividends payable	**1,934,502**	1,299,855
Staff payable	**276,338**	259,398
Provision for KFAS	**32,102**	31,588
Provision for NLST	**93,360**	86,843
Provision for Zakat	**32,786**	36,508
Directors› remuneration	**45,000**	45,000
Advances received and other liabilities	**1,183,198**	1,665,098
	8,799,268	7,414,434

26. General assembly of shareholders and dividends

Subject to the requisite consent of the relevant authorities and approval of the shareholders' general assembly, the directors of the Parent Company propose for the year ended 31 December 2018 a cash dividend of KD5Fils (2017 : KD5Fils) per share of paid up share capital.

The annual general assembly of the shareholders held on 29 April 2018 approved the consolidated financial statements of the Group for the year ended 31 December 2017 and cash dividend of 5% of paid up share capital equivalent to 5 Fils per share (2016: 5 Fils per share) amounting to KD1,992,078 (2016: KD1,992,078). Further, the shareholders approved the board of directors' remuneration of KD45,000 for the year ended 31 December 2017 (2016: KD45,000).

27. Related party balances and transactions

Related parties represent subsidiaries, associates, major shareholders, 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 Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

Details of balances and transactions between the Group and other related parties are disclosed below.

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Balances included in consolidated statement of financial position		
Due to related parties (Major shareholders)	**14,321,230**	13,480,859
Contingent liabilities:		
Letter of guarantee (note 29)	**5,000,000**	5,000,000

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
	KD	KD
Amounts included in consolidated statement of profit or loss		
Sales (major shareholders)	**1,543,886**	1,404,156
Cost of sales (major shareholders)	**(141,814,270)**	(135,980,290)
Key management compensation:		
Salaries and other short term benefits	**164,482**	164,482
End of service benefits	**10,592**	10,592
Provision for directors' remuneration	**45,000**	45,000
	220,074	220,074

28. Segmental analysis

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to Group's profit or loss.

The Group operates in the sectors of Fuel marketing and other related services and investments as follows:

	Fuel marketing and other related services	Investments	Total
	KD	KD	KD
31 December 2018:			
Revenue	**154,646,132**	**515,900**	**155,162,032**
Segment profit	**2,012,256**	**1,892,505**	**4,012,761**
Unallocated expenses			**(203,248)**
Profit for the period			**3,809,513**
Total assets	**43,861,154**	**72,141,562**	**116,002,716**
Total liabilities	**(33,779,591)**	**(15,477,012)**	**(49,256,603)**
Net assets	**10,081,563**	**56,664,550**	**66,746,113**
31 December 2017:			
Revenue	148,333,395	1,086,768	149,420,163
Segment profit	2,695,232	1,086,768	3,782,000
Unallocated expenses			(199,939)
Profit for the period			3,582,061
Total assets	47,245,742	44,096,567	91,342,309
Total liabilities	(30,375,227)	-	(30,375,227)
Net assets	16,870,515	44,096,567	60,967,082

29. Contingent liabilities

As at 31 December 2018, the Group had issued a letter of guarantee amounting to KD5,000,000 (2017: KD5,000,000) in respect of purchase commitments of fuel from Kuwait National Petroleum Company – KSC (Closed) (“KNPC”), from which it is anticipated that no material liabilities will arise.

30. Risk management objectives and policies

The Group’s activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Parent Company’s board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group’s risk management focuses on actively securing the Group’s short to medium term cash flows by minimizing the potential adverse effects on the Group’s financial performance. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group is exposed are described below.

30.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Almost all transactions of the Group are conducted in Kuwait Dinar and, therefore, the Group is not significantly exposed to foreign currency risk.

b) Interest and profit rate risk

Interest and profit rate risk arises from the possibility that changes in interest and profit rates will affect future profitability or the fair values of financial instruments. The Group has no significant interest bearing assets other than bank balances and term deposits. The Group is exposed to interest rate risk with respect to its term loans, wakala payable and murabaha payable which are both at fixed rate and floating interest rate. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate term loans, wakala payable and murabaha payable. The board monitors the interest rate risk by setting limits.

Positions are monitored on a regular basis and hedging strategies are used, if required, to ensure positions are maintained within established limits.

30. Risk management objectives and policies (continued)

30.1 Market risk (continued)

b) Interest and profit rate risk (continued)

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +1% and –1% (31 December 2017: +1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

The calculations are based on the Group's financial instruments held at each consolidated financial position date. All other variables are held constant. There is no impact on the Group's equity:

	31 Dec. 2018		31 Dec. 2017	
	+1% KD	**-1% KD**	+1% KD	-1% KD
Profit for the year	**202,111**	**(202,111)**	98,254	(98,254)

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

c) Price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through other comprehensive income (previously available for sale investments).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If equity prices had been 2% (2017: 2%) higher/lower, the effect on the profit for the year and equity would have been as follows:

	Profit for the year		**Equity**	
	31 Dec. 2018 KD	31 Dec. 2017 KD	**31 Dec. 2018 KD**	31 Dec. 2017 KD
Investments at fair value through other comprehensive income	**-**	-	**1,153,131**	-
Available for sale investments	**-**	453,661	**-**	453,661
Total	**-**	453,661	**1,153,131**	453,661

30. Risk management objectives and policies (continued)

30.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the consolidated financial position date, as summarized below:

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Investments at fair value through other comprehensive income	**24,990,616**	-
Available for sale investment	**-**	16,814,423
Accounts receivables and other assets (note 17)	**995,789**	929,120
Term deposits	**5,259,440**	4,807,779
Bank balances	**7,310,261**	7,910,060
	38,556,106	30,461,382

Bank balances are maintained with high credit quality financial institutions.

30.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

30. Risk management objectives and policies (continued)

30.3 Liquidity risk (continued)

The Group maturity profile of financial liabilities based on discounted contractual arrangement is as follows:

	Up to 1 month	1-3 months	3-12 months	Over one year	Total
	KD	KD	KD	KD	KD
31 December 2018:					
Liabilities					
Murabaha payable	**-**	**202,750**	**608,250**	**5,844,250**	**6,655,250**
Term loans	**1,000,000**	**-**	**1,500,000**	**13,977,012**	**16,477,012**
Wakala payable	**-**	**-**	**-**	**2,000,000**	**2,000,000**
Accounts payable and other liabilities	**215,005**	**746,242**	**7,838,021**	**-**	**8,799,268**
Due to related parties	**299,317**	**14,021,913**	**-**	**-**	**14,321,230**
Due to bank	**338,326**	**-**	**-**	**-**	**338,326**
	1,852,648	**14,970,905**	**9,946,271**	**21,821,262**	**48,591,086**
31 December 2017:					
Liabilities					
Murabaha payable	-	150,250	450,750	4,657,750	5,258,750
Term loans	-	1,000,000	600,000	2,066,667	3,666,667
Accounts payable and other liabilities	6,492,849	921,585	-	-	7,414,434
Due to related parties	661,373	12,819,486	-	-	13,480,859
	7,154,222	14,891,321	1,050,750	6,724,417	29,820,710

The undiscounted cash flows for the financial liabilities are not materially different from those presented above.

31. Fair value measurement

31.1 Fair value measurement of financial instruments

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Financial assets:		
Loans and receivables at amortised cost:		
Accounts receivables and other assets (note 17)	**995,789**	929,120
Term deposits	**5,259,440**	4,807,779
Cash and bank balances	**7,962,113**	7,910,060
Financial assets at fair value:		
Investments at fair value through other comprehensive income	**24,990,616**	-
Available for sale investments:		
Available for sale investments - at fair value	**-**	9,073,211
Available for sale investments - at cost	**-**	7,741,212
	39,207,958	30,461,382
Financial liabilities:		
Financial liabilities at amortised cost:		
Murabaha payable	**6,655,250**	5,258,750
Term loans	**16,477,012**	3,666,667
Wakala payable	**2,000,000**	-
Accounts payable and other liabilities	**8,799,268**	7,414,434
Due to related parties	**14,321,230**	13,480,859
Due to bank	**338,326**	-
	48,591,086	29,820,710

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortized cost, approximate their fair values.

31. Fair value measurement (continued)

31.2 Fair value measurement

Fair value represents 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 Group measures financial instruments at fair value and measurement details are disclosed in note 31.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

31.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows,

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset

  or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

31. Fair value measurement (continued)

31.3 Fair value hierarchy (continued)

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1	Level 3	Total
	KD	KD	KD
31 December 2018			
Investments at fair value through other comprehensive income :			
Local quoted securities held through managed portfolios	**10,058,705**	**-**	**10,058,705**
Local unquoted securities held through managed portfolios	**-**	**14,543,363**	**14,543,363**
Foreign unquoted securities held through managed portfolio	**-**	**388,548**	**388,548**
	10,058,705	**14,931,911**	**24,990,616**
31 December 2017			
Investments at fair value through other comprehensive income :			
Local quoted securities held through managed portfolios	9,073,211	-	9,073,211
	9,073,211	-	9,073,211

There has been no transfer between levels 1 and 2 during the year. The Group does not have any financial liabilities measured at fair value.

31. Fair value measurement (continued)

31.3 Fair value hierarchy (continued)

Level 3 fair value measurements

The Group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Unquoted securities	
	Investments at fair value through OCI	Available for sale investments
	31 Dec.2018	31 Dec.2017
	KD	KD
Opening balance at the beginning of the year	**-**	-
Transferred to level 3 - previously measured at cost	**9,839,023**	-
Addition during the year	**8,339,040**	-
Disposals during the year	**(4,503,441)**	-
Change in fair value	**1,257,289**	-
Closing balance at the end of year	**14,931,911**	-

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

31. Fair value measurement (continued)

31.3 Fair value hierarchy (continued)

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted securities

The underlying investments in the managed portfolios primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

31.4 Fair value measurement of non-financial assets

The following table shows the fair value hierarchy of non-financial assets measured at fair value:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2018				
Investment properties				
- Investment buildings in Kuwait	-	-	**11,625,643**	**11,625,643**
	-	-	**11,625,643**	**11,625,643**
31 December 2017				
Investment properties				
- Investment buildings in Kuwait	-	-	12,929,000	12,929,000
	-	-	12,929,000	12,929,000

31. Fair value measurement (continued)

31.4 Fair value measurement of non-financial assets (continued)

Investment properties in Kuwait

The investment properties in Kuwait represent investment buildings categorized as "Investment properties". The fair value of the properties has been determined based on valuations obtained from independent valuers, who are specialized in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. The valuers who are local reputable valuers have valued the properties primarily by income capitalisation method. When the income capitalisation approach is used adjustments have been incorporated for factors specific to the building such as plot size, location current use rental yield, age of building and its general condition.

Further information regarding the fair value measurements is set out in the table below:

31 December 2018

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties in Kuwait	Income capitalsation approach	Average monthly rent (per sqm)	KD11.95 – 22.73	Higher the price per square meter, higher the fair value

31 December 2017

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties in Kuwait	Income capitalsation approach	Average monthly rent (per sqm)	KD14.58	Higher the price per square meter, higher the fair value

The non-financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investment Property	
	31 Dec. 2018	31 Dec. 2017
	KD	KD
Opening balance	**12,929,000**	13,077,000
Change in fair value	**(1,303,357)**	(148,000)
	11,625,643	12,929,000
Total amount included in profit or loss for unrealised losses on level 3 assets	**(1,303,357)**	(148,000)

32. Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk 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 sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Murabaha payable	**6,655,250**	5,258,750
Term loans	**16,477,012**	3,666,667
Wakala payable	**2,000,000**	-
Less: Cash and cash equivalents	**(11,094,681)**	(10,446,664)
Net debt	**14,037,581**	(1,521,247)
Total equity	**66,746,113**	60,967,082

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity as follows:

	31 Dec. 2018	31 Dec. 2017
	KD	KD
Net debt	**14,037,581**	(1,521,247)
Total equity attributable to the owners of the Parent Company	**66,746,113**	60,967,082
Gearing ratio	**21%**	(2%)

33. Legal case

During the year ended 31 December 2012, PetroNet Smart Network Company - KSC (Closed) ("associate"), filed a liquidation petition with the Ministry of Commerce and Industry. However, the Group filed an objection petition to suspend this liquidation and filed another legal case against the associate and its management to recover the outstanding receivable balance of KD2,691,956 (2017: KD2,691,956).

During the year & based on the final judgment issued by the court of cassation in Kuwait ordering Petro Net Smart Company – KSC (Closed) ("Petro Net") to pay the sum of KD1,556,760 to the Parent Company, the Parent Company entered into a settlement agreement with Petro Net whereby Petro Net transferred 5Mn shares of United Land Real Estate Company - KSCC with a value of KD1,556,760 included in local unquoted securities (note 15) in exchange for the claim payable to the Parent Company. Upon receiving the said shares from Petro Net, management of the Parent Company decided to write off during the current year the remaining balance of KD1,135,196 (note 17).

34. Comparative amounts

Certain comparative amounts have been reclassified to conform to current year presentation of the consolidated financial statements. Such reclassification did not affect previously reported total assets, total equity or net results for the year.

Oula Stations - Address - Services

No.	Area	Address
1	Al Ahmadi	Block 13 - Al Moghawaa
4	Abdal	Block 1 - Al Safar road - Next to Al Abdali Exit
11	Al Omaria	Block 5 - st. 55 - Airport Road
14	Al Salmiya	Block 11 - 4th Ring Road - Infront of Fire Station
15	Al Qaser	Across Al Qaser and Al N'aeem st.
17	Al Qurain	Block 1 - Al Ghos st.
23	Al Dua'ai	Block 2 - Road 60 - Near Cooperation branch
26	Um Al Aish	Block 1 - Al Safar road
28	Qortoba	Block 1 - 4st Ring Road - Infront of Al Adailiya Area
31	Al Ruqii	Block 4- 1st Ring Road Towards to Sulaibikhat Area
33	Al Khaldiya	Block 2 - 20 st. Near the police station
38	Al Ardiya	Al Ardiya Industrial - Block 1
41	Dasman	Block 3 - Ahmed Al Jaber st.
42	Shuwaikh	Shuwaikh Industrial - Block 4 - St. 80
45	6th Ring Road	Al Shuhada - Block 3 - 6rd Ring Road
49	Al Funtas	Block 3 - Al Sahel Road
50	Kaifan	Block 1 - Ashbelia st.
52	Al Shadadiyah	6th Ring Road
57	Al Fehahel	Block 6 - Al Badri - Next to fire station st.
60	Al Adaam	Block 1 - King Fahad Road - Next to McDonalds
65	Hawalli	3rd Ring Road - Infront of Qadsia Area
68	Bayan	Block 8 - Near Co-Op
70	Sabah Al Salem	Block 12 - Road 207 - Infront of Adan Area
71	Al Salmiya	Block 10 - 5th Ring Road
75	Ali Sabah Al Salem	Um Al Haiman - Block 9 - Next to Fire Station
77	Al Jabria	Block 2 - 11 st.
82	Mubarak Al Kabir	Block 3 - Infront of Jaber Al Ali Area
83	Al Atraf	Al Salmi Road (between 50-40 km signs)
85	Al Adan	Block 2 - King Fahed Road - Towards to Kuwait City
86	Al Oyoon	Block 3 - Besher Bin Abi Awana st.
89	Al Wafra	Block 2 - Road 300 - Near Co-op
90	Al Sulaibia	Block 4 - Road 64 - Khalaf Al Ahmar st.
92	Eshbelia	Block 4 - Mohammed Bin Al Qasem st.
96	Al Shuwaikh	Block 6 - Jamal Abd Al Naser st.
101	Sharq	Al Istiqlal st. and Soor st. with Sharq Conjunction
103	Airport Exit	Road 54 - Airport Road
104	East Sulaibikhat	Al Nahida - Block 1
107	Abdullah Al Mubarak	Block 8 - West Jalib Al Shuiukh
109	South Airport	7th Ring Road - Towards to Abdullah Al Mubarak suburb
110	Al Massila	Block 7 - Fahaheel Highway
120	Mubarak Al Abdullah	West Mishref - Block 6 Infront of ACK university
121	Kabd	Block 2 - Infront of kabad Co-Op
122	West Shuaiba	Block 8 - king Fahad Road - Towards to Al Nuwaisib

Fast Food

autowash

Car Maintenance Service

Supermarket

Ultra

Diesel

Kerosene

Premium

Super premium