السور SOOR

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

www.soor.com.kw

2012 ANNUAL REPORT

ALFA ألفا

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

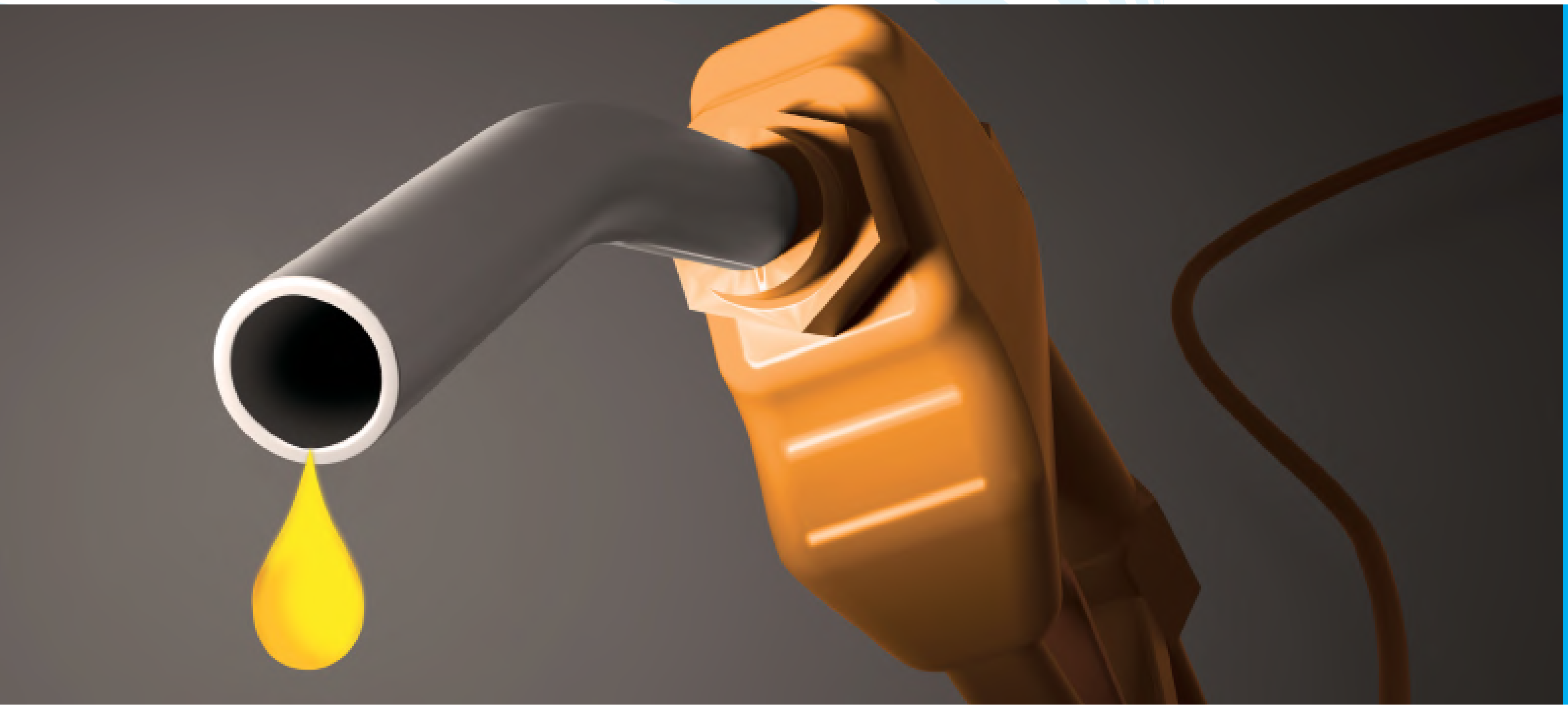
His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

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

Alfa Fuel Cards

ALFA ألفا

Table of Contents



SOOR CORPORATE PROFILE

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

Paid-Up Capital: 34,960,162.500 Kuwaiti Dinars
Shared Issued & Subscribed: 349,601,625 Shares
Number of shares Authorized: 300,000,000 shares
Headquarters: State of Kuwait – AlMirqab – Bl. 3 – Omar Bin Alkhatab street - KBT
P.O. Box: 28396 – Safat: 13144 – Kuwait

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

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

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

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

The company can perform such business in the state of Kuwait and abroad.

The company may have interests or participate in any manner with any institution which participates or buys such institutions or have them affiliates.

OUR MISSION

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

OUR VISION

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

SOOR VALUES

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

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

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

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

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

SOOR FUEL MARKETING COMPANY K.S.C. - ANNUAL REPORT 2012 15

BOARD OF DIRECTORS

Talal Ahmed Al-Khars	Chairman and Managing Director
Eng. Jaber Ahmed Ghadhanfar	Vice Chairman
Essa Ibrahim Al-Mousa	Board Member
Dr. Mohammed Hayil Attiya	Board Member
Mishaal Yaqoub Al-Omar	Board Member
Hani Fawaz Abdulrahman	Board Member
Tareef Mohammed Al-Awadhi	Board Member
Khalid Abdulaziz Al-Ajeel	Board Member
Waleed Khalid Al-Bader	Board Member

EXECUTIVE MANAGEMENT

Talal Ahmad Al-Khars	Chairman and Managing Director
Eng. Jaber Ahmed Ghadhanfar	Executive Vice President Project and Technical Support Services
Salem Khader Al-Hasawi	VP Sales, Marketing and PR
Hani Mohammed Al-Qallaf	VP, Human Resources and Administration
Ihab Gamil Ishak	VP, Finance and Accounting
Eng. Abdulamir Mallah Al- Jazzaf	VP, Operation and logistics services
Eng. Taha Ahmed Al-Khars	VP, Technical Services
Abdullah Ebrahim Ashkanani	VP, Business Development

BOARD OF DIRECTORS REPORT

Dear Shareholders,

My fellow colleagues at the Board of Directors and I are pleased to share with you the 6th annual report of Soor Fuel Marketing Company for the fiscal year ending on 31/12/2012.

During 2012, the company has implemented many strategic projects aiming at redeveloping "Alfa" gas stations and increasing their performance level.

The company also renewed the contract with the Ministry of Interior to provide filling cards and to carry on the management, operation and maintenance for the stations of the Ministry after the successful execution of the terms of previous contracts that have completed four years so far.

Soor Fuel Marketing Company has started to renew many stations, including Shuwaikh station, by introducing numerous new services, adding a diesel pump for large sized vehicles and building a warehouse for spare parts. By end of 2013, clients will be able to benefit from technical testing for their cars, which will be the first of a kind service provided in a gas station in Kuwait and will meet the needs of "Alfa" customers.

We built new facilities at Abu Halifa station, such as the biggest fast food center constructed on a 400 m2 area, an automated car wash, a fast car service center and a central market, in addition to providing all petroleum products. Blajat station went through reconstruction and maintenance, and different services were added to this station, including a fast car service center, an automated car wash and a central market.

Automated car washes were built and maintained at 10 gas stations in Rawda, Ardiya, Mubarkiya, Bayan and Rabia. 5 fast car service centers and central markets in 4 gas stations were constructed as well.

Small sized stations in Sulaibikhat and Fayha were redeveloped as per ALFA trade mark.

One of our most important achievements in 2012 was the construction and maintenance of Al Akila Al Jadida gas station which offers many new services and facilities, including an automated car wash, a fast car service center, a central market and a café on a 6300 m2 area. It has 4 fuel pumps, 8 double nozzles on each side and different types of fuel (Premium, Super, Ultra, Diesel). The station also offers kerosene in safe bottles.

In cooperation with Kuwait National Petroleum Company, Soor installed the Automatic Tank Gauging (ATG) system necessary to manage and link the stock movement of all petroleum products available in the stations to the depots of Kuwait National Petroleum Company (in Subhan and Ahmadi) to gauge and monitor the fuel stocks, the sales movement, the unloading processes, and the detection of any fuel leakage according to the latest technical features.

A Vapor Recovery System was installed to recover the fuel vapors during the unloading of fuel trucks and the filling of the cars.

The company also worked on an environmental project that had a great impact on its performance. It held lectures and meetings for the engineers at Kuwaiti Consumer Protection Civil Society, and participated in paper and plastic recycling projects through the collection of these 2 types of waste in special sorting bins then transferred them to the recycling unit to be reused instead of being thrown away vainly. "Alfa" stations hence became the first environment friendly stations in Kuwait.

As for investment related achievements, we note that fast food restaurants (McDonalds and Subway) currently operate at "Alfa" stations.

Soor Fuel Marketing Company posted in 2012 a net profit of KD 4,046,958 (Kuwait Dinars four million forty six thousand nine hundred fifty eight only) of its total sales estimated at KD 92,330,786 (Kuwait Dinars ninety two million three hundred thirty thousand seven hundred eighty six only). The earnings per share amounted to 11.67 fils while shareholders' equity for 2012 increased by 8.83% to KD 46,828,228 (Kuwait Dinars forty six million eight hundred twenty eight thousand two hundred twenty eight only).

I would like to thank our dear clients for their trust and all related governmental bodies (Environment Public Authority, Kuwait Fire Service Directorate, Kuwait Municipality, State Domain Department). I would want as well to thank Kuwait Petroleum Corporation and Kuwait National Petroleum Company for their cooperation and support in order to achieve the goal of gas stations services and contribute to the development of the company's operations in the coming years.

Talal Ahmad Al-Khars

Chairman and Managing Director

ACHIEVEMENTS

1- Development of Services & Additional New Activities

In the beginning of 2012, Soor Fuel Marketing Company worked hard on implementing and achieving many strategic projects aiming at updating and developing "Alfa" fuel stations, as well as adding various new services which contribute to meeting the needs of the clientele. The most important achievements include:

- Development of Shuwaikh station (113) through the introduction of many services and facilities, such as:
  1- Adding diesel pumps for large sized vehicles
  2- Building a warehouse for spare parts
  3- Providing the clients by the end of 2013 with a technical car testing service, which will make "Alfa" the first gas stations in Kuwait to offer this service.
- Abu Halifa station (8) became a distinctive station thanks to its new services and facilities:
  1- The biggest fast food center is under construction.
  2- The automated car wash and its numerous services center are under maintenance.
  3- The fast car service center is under establishment.
  4- The central market is under construction.
- Reconstruction and maintenance of Blajat station (25) and providing it with different services, including a fast car service center, an automated car wash and a central market.
- Renewal of the contract with the Ministry of Interior to provide filling cards and to carry on the management, operation and maintenance for the stations of the Ministry after the successful execution of the terms of previous contracts that have completed four years so far.
- Construction and maintenance of automated car washes at 10 gas stations in Rawda, Ardiya, Mubarkiya, Bayan and Rabia. 5 fast car service centers and central markets in 4 gas stations were constructed as well.
- Redevelopment of Small sized stations in Sulaibikhat and Fayha as per ALFA trade mark.
- Construction and maintenance of Al Akila Al Jadida gas station which offers many new services and facilities, including an automated car wash, a fast car service center, a central market and a café on a 6300 m2 area. It has 4 fuel pumps, 8 double nozzles on each side and different types of fuel (Premium, Super, Ultra, Diesel), the station also offers kerosene in safe bottles.
- In cooperation with Kuwait National Petroleum Company, Soor installed the Automatic Tank Gauging (ATG) system necessary to manage and link the stock movement of all petroleum products available in the stations to the depots of Kuwait National Petroleum Company (in Subhan and Ahmadi) to gauge and monitor the fuel stocks, the sales movement, the unloading processes, and the detection of any fuel leakage according to the latest technical features.
- Installation of a Vapor Recovery System to recover the fuel vapors during the unloading of fuel trucks and the filling of the cars.
- The company worked on an environmental project that had a great impact on its performance. It held lectures and meetings for the engineers at Kuwaiti Consumer Protection Civil Society, and participated in paper and plastic recycling projects through the collection of these 2 types of waste in special sorting bins then transferred them to the recycling unit to be reused instead of being thrown away vainly.
- Opening 2 fast food restaurants, McDonalds and Subway, in "Alfa" stations.

2- Marketing Plans

In 2012, Soor witnessed a noticeable development; and many goals had been achieved in terms of marketing plan field:

- Addition of 3 new fuel card categories: KD 15, KD 50 and KD 100.
- Renewal of the contract with the Ministry of Interior (MOI) for five years.
- Provision of new services to MOI (prepaid cards) on some occasions.
- Launching of Ramadan campaign in 2012.

In the process to take card fees on "Alfa" prepaid fuel card from March 2012 onwards.

- Beginning to work on the bank guarantee from all existing and new customers in the last quarter of 2012.
- McDonald's, Subway, Mafra and Baqala became investors at Soor.
- Giving 2 lectures about the recycling process and distributing waste sorting boxes inside the company.
- Concluding a deal with Abraj company to produce bottles of water with "Alfa" logo.
- The company received a delegation from Support Labor Program to enhance Kuwaitisation in the private sector.
- The company sponsored Sowalif Program announced at Funoon Channel.
- The company welcomed the marketing and advertising team of McDonald's Australia and they visited the traditional market in Mubarikiya.

3- Market share

Based on what has been said, the venerable decisions of the senior management of the company and the efforts of the employees of Soor Fuel Marketing Company in the implementation of strategies and marketing plans for 2012, the company has ached continuous positive results for the fourth consecutive year of selling fuel and hit a market share of 35% for year 2012 with an increase of 0.91% from year 2011.

4- The National Workforce

Since its establishment, the company has started to implement a plan to recruit national workforce in all its facilities, stations or headquarters. In 2012, it succeeded to increase the percentage of national workforce in all the facilities, as it recruited 150 Kuwaiti employees in "Alfa" stations and trained them in cooperation with Kuwait Foundation for the Advancement of Sciences to become certified supervisors of the stations.

FUTURE GOALS AND PLANS

- Establishment of a call center for the maintenance in the stations.
- Development, construction and maintenance of gas stations in Mansouriya (5), Jahra (9), Qadisiya (22), Shuaiba road (Al Adami) (43), Salwa (13), Messila (124), Al Salmy (125) by adding pumps, products and new facilities such as central markets, fast food restaurants, car washes and fast car service centers.
- Keenness to provide the best services in all stations to maintain and ensure the quality of the services offered to "Alfa" customers.
- Recruitment and training of Kuwaiti workforce.
- Continuous development of automated systems and establishment of new systems to improve the services and keep up with the international development.
- Provision of innovative products and services at competitive prices.
- Improvement of the relationship between the clients and the company through the loyalty program by which the company becomes the first option of the clients.
- Participation in local and international conferences and forums, visiting international exhibitions to discover the new technologies to develop the stations and boost the technical and administrative capabilities of the company

A WORD OF THANKS

Soor Fuel Marketing Company expresses its sincere gratitude and appreciation to all those who contributed to the success of the company during the financial year 2012.

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

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

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

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

Soor Fuel Marketing Company

SOOR FUEL MARKETING COMPANY K.S.C.

CONSOLIDATED FINANCIAL STATEMENTS & INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

Ernst & Young
Al Aiban, Al Osaimi & Partners

P.O. Box 74 Safat
13001 Safat, Kuwait
Baitak Tower, 18-21st Floor
Safat Square
Ahmed Al Jaber Street

Tel : 2245 2880/295 5000
Fax: 2245 6419
Email: kuwait@kw.ey.com
www.ey.com/me

BAKER TILLY
KUWAIT

Dr. Saud Hamad Al-Humaidi & Partners
Public Accountants

P.O.Box 1486,
Safat 13015 Kuwait
Tel: +965 22443222
22442333
Fax:+965 22461225
www.bakertillykuwait.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOOR FUEL MARKETING COMPANY K.S.C. AND ITS SUBSIDIARY

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Soor Fuel Marketing Company K.S.C. (the "Parent Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements for the year ended 31 December 2011 were audited by anohter auditor who expressed an unmodified opinion on these statements on 6 March 2012.

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 25 of 2012, and by the Parent Company's Articles of Association that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, nor of the Parent Company's Articles of Association have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the Parent Company or on its financial position.

Waleed A. Al Osaimi
Licence No. 68 A
Of Ernst & Young

Dr. Saud Hamad Al-Humaidi
License No. 51 A
Of Dr. Saud Hamad Al-Humaidi & Partners
Member of Baker Tilly International

11 March 2013
Kuwait

CONSOLIDATED STATEMENT OF INCOME - For the year ended 31 December 2012

	Notes	2012 KD	2011 KD
Sales		**92,330,786**	87,570,164
Cost of sales	20	**(80,240,371)**	(76,057,626)
Operating expenses		**(5,497,986)**	(4,671,770)
Gross profit		**6,592,429**	6,840,768
Other income		**817,455**	898,809
Rental income		**96,156**	203,782
Net investment loss	4	**(147,655)**	(117,858)
Administrative expenses		**(2,469,301)**	(2,888,883)
Allowance for impairment of receivables	11	**(485,693)**	(66,422)
Finance costs		**(65,568)**	(75,104)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENTOF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND DIRECTORS' REMUNERATION		**4,337,823**	4,795,092
Contribution to KFAS		**(39,040)**	(43,156)
NLST		**(108,446)**	(119,877)
Zakat		**(43,379)**	(47,951)
Directors' remuneration		**(100,000)**	(100,000)
PROFIT FOR THE YEAR		**4,046,958**	4,484,108
BASIC AND DILUTED EARNINGS PER SHARE	5	**11.67 fils**	12.84 fils

The attached notes 1 to 24 form a part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - For the year ended 31 December 2012

	2012 KD	2011 KD
Profit for the year	**4,046,958**	4,484,108
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,046,958**	4,484,108

The attached notes 1 to 24 form a part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - At 31 December 2012

	Notes	2012 KD	2011 KD
ASSETS			
Non-current assets			
Property and equipment	6	**6,359,876**	4,503,229
Intangible assets	7	**16,726,386**	17,150,619
Investment in an associate	8	**1,089,020**	1,586,613
Investment properties	9	**1,450,000**	7,955,833
Financial assets available for sale	10	**10,151,950**	2,249,867
		35,777,232	33,446,161
Current assets			
Inventories		**389,751**	341,881
Accounts receivable and prepayments	11	**2,210,358**	4,604,932
Financial assets at fair value through profit or loss	12	**1,679,462**	2,839,239
Cash and cash equivalents	13	**18,801,943**	14,323,834
		23,081,514	22,109,886
TOTAL ASSETS		**58,858,746**	55,556,047
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**34,960,162**	32,981,285
Statutory reserve	15	**2,578,987**	2,145,205
Voluntary reserve	16	**2,578,987**	2,145,205
Treasury shares	17	**(760,279)**	(512,764)
Retained earnings		**7,470,371**	6,269,854
Total equity		**46,828,228**	43,028,785
Liabilities			
Non-current liabilities			
Employees' end of service benefits		**207,092**	187,562
Term loan		**-**	1,664,167
		207,092	1,851,729
Current liabilities			
Accounts payable and accruals	18	**11,823,426**	10,342,700
Term loan		**-**	332,833
		11,823,426	10,675,533
Total liabilities		**12,030,518**	12,527,262
TOTAL EQUITY AND LIABILITIES		**58,858,746**	55,556,047

Talal Ahmad Al Khars
(Chairman and Managing Director)

Jaber Ahmad Ghandanfar
(Vice Chairman)

The attached notes 1 to 24 form a part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - For the year ended 31 December 2012

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Retained earnings KD*	*Total KD*
Balance at 1 January 2012	32,981,285	2,145,205	2,145,205	(512,764)	6,269,854	43,028,785
Profit for the year	-	-	-	-	4,046,958	4,046,958
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	4,046,958	4,046,958
Purchase of treasury shares	-	-	-	(247,515)	-	(247,515)
Issue of bonus shares (Note 14)	1,978,877	-	-	-	(1,978,877)	-
Transfer to reserves	-	433,782	433,782	-	(867,564)	-
Balance at 31 December 2012	**34,960,162**	**2,578,987**	**2,578,987**	**(760,279)**	**7,470,371**	**46,828,228**
Balance at 1 January 2011	29,982,987	1,665,696	1,665,696	-	5,743,062	39,057,441
Profit for the year	-	-	-	-	4,484,108	4,484,108
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	4,484,108	4,484,108
Purchase of treasury shares	-	-	-	(512,764)	-	(512,764)
Issue of bonus shares	2,998,298	-	-	-	(2,998,298)	-
Transfer to reserves	-	479,509	479,509	-	(959,018)	-
Balance at 31 December 2011	32,981,285	2,145,205	2,145,205	(512,764)	6,269,854	43,028,785

The attached notes 1 to 24 form a part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS - At 31 December 2012

	Notes	2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit for the year		**4,046,958**	4,484,108
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation and amortisation	6,7,9	**1,206,370**	1,038,949
Provision for employees' end of service benefits		**79,438**	73,947
Allowance for impairment of receivables	11	**485,693**	66,422
Loss on disposal of property and equipment		**1,329**	-
Net investment loss	4	**147,655**	117,858
Rental income		**(96,156)**	-
Finance costs		**65,568**	75,104
		5,936,855	5,856,388
Changes in the working capital:			
Inventories		**(47,870)**	(11,384)
Accounts receivable and prepayments		**2,005,036**	218,143
Accounts payable and accruals		**1,617,091**	1,188,040
Cash from operations		**9,511,112**	7,251,187
End of service benefits paid		**(59,908)**	(50,082)
Net cash flows from operating activities		**9,451,204**	7,201,105
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(2,094,506)**	(2,119,838)
Proceed from sale of property and equipment		**38,721**	-
Purchase of intangible assets		**-**	(10,526)
Purchase of investment properties	9	-	(7,988,000)
Investment in an associate		**-**	(64,500)
Proceeds from disposal of investment properties		**6,100,000**	-
Purchase of financial assets available for sale		**(7,902,083)**	(386,517)
Purchase of financial assets at fair value through profit or loss		**-**	(1,383,427)
Proceeds from sale of financial assets at fair value through profit or loss		**1,115,474**	600,520
Fixed deposits		**-**	6,900,000
Investment income received		**215,747**	207,812
Net cash flows used in investing activities		**(2,526,647)**	(4,244,476)
FINANCING ACTIVITIES			
Dividend paid		**(136,365)**	(147,976)
Purchase of treasury shares		**(247,515)**	(512,764)
Proceeds from term loan		**-**	1,376,000
Repayment of term loan		**(1,997,000)**	-
Finance costs paid		**(65,568)**	(71,601)
Net cash flows (used in) from financing activities		**(2,446,448)**	643,659
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,478,109**	3,600,288
Cash and cash equivalents at 1 January		**14,323,834**	10,723,546
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**18,801,943**	14,323,834

The attached notes 1 to 24 form a part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

1 ACTIVITIES

Soor Fuel Marketing Company K.S.C. (the "Parent Company") is a Kuwaiti shareholding company incorporated on 20 March 2006 under the Commercial Companies Law No. 15 of 1960 and amendments thereto and commenced its operations on 9 May 2006. The Parent Company's shares were listed on the Kuwait Stock Exchange on 30 June 2008.

This consolidated financial information of Soor Fuel Marketing Company K.S.C. (the "Parent Company") and its Subsidiary (collectively the "Group") for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 11 March 2013.

The consolidated financial statements of the Group for the year ended 31 December 2011 approved by the shareholders of the Parent Company during the annual general assembly meeting held on 31 May 2012.

The Group conducts the following activities as set forth in Article number 5 of the Parent Company's Articles of Association.

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

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

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

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. According to article 2 of the Decree, the Company has a period of 6 months from 29 November 2012 to regularize its affairs in accordance with the Companies Law.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets available for sale and financial assets at fair value through profit or loss that have been measured at fair value. The consolidated financial statements are presented in Kuwaiti Dinars ("KD").

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the Parent Company and its subsidiary as at 31 December 2012.

Subsidiaries are all entities over which the Parent Company has the power to control the financial and operating policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in other comprehensive income.
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of income
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to consolidated statement of income or transferred directly to retained earnings as specified by applicable IFRSs).

The subsidiary of the Group is as follows:

Name of the company	***Country of incorporation***	***Principal activity***	***Equity interest***	
			2012	2011
Advantage for Establishing Central Markets Co. K.S.C. (Closed)	Kuwait	Operating Central Markets	96%	96%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended IFRS effective as at 1 January 2012 as noted below:

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

2.4 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued but are not yet effective:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the Grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

2.4 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect of the adoption of first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The application of the above standards is not expected to have a material impact on the financial position or performance of the Group as and when they become effective or early adopted, except for IFRS 9 and IFRS 13 which may result in amendments and/or additional disclosures relating to classification, measurement and associated risks of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognised:

Sale of fuel

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

Rendering of services

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

Interest Income

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

Dividend income

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

Rental income

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

Taxation

National Labour Support Tax (NLST)

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

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

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

Property and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Contracts backlog
Contracts backlog acquired separately are measured at cost on initial recognition. Contracts backlog acquired in business combination have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of Contracts backlog over their estimated useful lives (3 years).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the consolidated statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGU's) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Investment in associates

An associate is an entity in which the Group has significant influence. The Group's investment in its associates is accounted for using the equity method.

Under the equity method, investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the investee. The Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's statement of income. The Group's share of those changes is recognized in the consolidated statement of comprehensive income and in equity.

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

The Group's share of results of associates is included as part of net investment loss shown on the face of the consolidated statement of income and represents result after tax and non-controlling interests in the subsidiaries of the associates.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)

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

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

Investment properties

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

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

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

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

The carrying amounts are reviewed at each reporting date on an individual basis by reference to their fair value to assess whether they are recorded in excess of their recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses, if any, are recognised in the consolidated statement of income where carrying values exceed the recoverable amount.

Inventories

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the consolidated statement of income. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of bank balances, short-term deposits with an original maturity of three months or less, cash on hand and cash with a portfolio manager, net of restricted cash balance, if any.

Financial instruments – initial recognition and subsequent measurement

1. Financial assets

Initial recognition and measurement

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

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include bank balances and cash, fixed deposits, accounts receivable, financial assets at fair value through profit or loss and financial assets available for sale. At 31 December 2012, the Group did not have any held-to-maturity investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

1. Financial assets

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets are designated at fair value through profit or loss at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group does not have any loan receivable. Receivables include tuition fees receivable which are stated at original invoice amount less a provision 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 when there is no possibility of recovery.

Financial assets available for sale

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

1. Financial assets

Derecognition

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

- the rights to receive cash flows from the asset 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 the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

Impairment of financial assets

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

Financial assets available for sale

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

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

2. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through statement of income or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include term loan and accounts payable. At 31 December, the Group did not have any financial liabilities at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

2. Financial liabilities (continued)

Subsequent measurement

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

Term loan

After initial recognition, interest bearing loans are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of income.

Accounts payable

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

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

3. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if 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. 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 (bid price), 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. Financial instruments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued is recognised in treasury share reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the general reserve and statutory reserve. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement

Group as a lessee

Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Employees' end of service benefits

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

With respect to its national employees, the Group also makes contributions to 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.

Provisions

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

Segment reporting

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

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

Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional 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.

1) Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized inthe consolidated statement of income.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

2) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their statement of incomes are translated at average rates of exchange for the year of operations. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

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

Classification of financial instruments

Management decides on acquisition of financial assets whether it should be classified as financial assets at fair value through statement of income or financial assets available-for-sale.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets at fair value through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as designated upon initial recognition.

All other investments are classified as "financial assets available for sale".

Valuation of unquoted equity investments

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. For investments where this estimation cannot be reliably determined, they are carried at cost less impairment.

Impairment of financial assets available for sale

The Group treats financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. The estimation is performed on a collective basis for amounts which are past due, and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Fair value of financial instruments

When the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Useful lives of property and equipment and investment properties

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

4 NET INVESTMENT LOSS

	2012	2011
	KD	KD
Interest income	**153,741**	168,021
Gain on sale of investment properties	**129,167**	-
Impairment on investment properties (Note 9)	**(506,550)**	-
Share of results of an associate (Note 8)	**58,284**	22,113
Unrealised loss from financial assets at fair value through profit or loss	**(60,158)**	(353,974)
Realised gain on sale of financial assets at fair value through profit or loss	**15,855**	527
Dividend income	**62,006**	45,455
	(147,655)	(117,858)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 31 December.

The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2012	2011
	KD	KD
Profit for the year (KD)	**4,046,958**	4,484,108
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	**346,911,12**9	349,175,471
Basic and diluted earnings per share	**11.67 fils**	12.84 fils

The basic and diluted earnings per share have been adjusted for the current and previous year following the shareholders' approval of bonus shares at the Extraordinary General Assembly meeting held on 31 May 2012 (Note 14).

6 PROPERTY AND EQUIPMENT

	Buildings on leasehold land KD	Installations and equipment KD	Furniture and fixtures KD	Motor vehicles KD	Capital work in progress KD	Total KD
Cost:						
At 1 January 2012	602,440	5,427,104	759,419	30,329	3,339,161	10,158,453
Additions	638,603	99,012	25,435	11,000	1,320,456	2,094,506
Disposals	-	-	-	(11,405)	(36,260)	(47,665)
At 31 December 2012	1,241,043	5,526,116	784,854	29,924	4,623,357	12,205,294
Depreciation:						
At 1 January 2012	35,739	4,875,760	720,907	22,818	-	5,655,224
Charge for the year	44,926	123,940	26,123	2,821	-	197,810
Relating to disposals	-	-	-	(7,616)	-	(7,616)
At 31 December 2012	80,665	4,999,700	747,030	18,023	-	5,845,418
Net carrying amount:						
At 31 December 2012	**1,160,378**	**526,416**	**37,824**	**11,901**	**4,623,357**	**6,359,876**
Cost:						
At 1 January 2011	-	5,040,900	723,482	29,269	2,244,964	8,038,615
Additions	602,440	386,204	35,937	1,060	1,094,197	2,119,838
At 31 December 2011	602,440	5,427,104	759,419	30,329	3,339,161	10,158,453
Depreciation:						
At 1 January 2011	-	4,781,651	613,152	22,818	-	5,417,621
Charge for the year	35,739	94,109	107,755	-	-	237,603
At 31 December 2011	35,739	4,875,760	720,907	22,818	-	5,655,224
Net carrying amount:						
At 31 December 2011	566,701	551,344	38,512	7,511	3,339,161	4,503,229

Fuel stations are constructed on land leased from the Government of Kuwait. Capital work in progress represents major renovations and significant improvements being carried out at the fuel stations.

Depreciation expense is allocated between operating expenses KD 168,866 (2011: KD 129,848) and administrative expenses KD 28,944 (2011: KD 107,755) in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

7 INTANGIBLE ASSETS

	Goodwill KD	Contracts backlog	Leasehold right KD	License KD	Software KD	Total KD
Cost:						
At 1 January 2012	210,483	-	19,087,811	1,725,128	208,757	21,232,179
Arising on completion of the purchase price allocation (Note 8)	-	555,877	-	-	-	555,877
At 31 December 2012	210,483	555,877	19,087,811	1,725,128	208,757	21,788,056
Amortisation:						
At 1 January 2012	-	-	3,605,475	325,860	150,225	4,081,560
Charge for the year	-	231,615	636,260	57,504	54,731	980,110
At 31 December 2012	-	231,615	4,241,735	383,364	204,956	5,061,670
Net carrying amount:						
At 31 December 2012	**210,483**	**324,262**	**14,846,076**	**1,341,764**	**3,801**	**16,726,386**
Cost:						
At 1 January 2011	210,483	-	19,087,811	1,725,128	198,231	21,221,653
Additions	-	-	-	-	10,526	10,526
At 31 December 2011	210,483	-	19,087,811	1,725,128	208,757	21,232,179
Amortisation:						
At 1 January 2011	-	-	2,969,215	268,356	80,765	3,318,336
Charge for the year	-	-	636,260	57,504	69,460	763,224
At 31 December 2011	-	-	3,605,475	325,860	150,225	4,081,560
Net carrying amount:						
At 31 December 2011	210,483	-	15,482,336	1,399,268	58,532	17,150,619

Amortisation expense is allocated between operating expenses KD 693,764 (2011: KD 763,224) and administrative expenses KD 286,346 (2011: KD Nil) in the consolidated statement of income.

8 INVESTMENT IN AN ASSOCIATE

Details of an associate are as follows:

Name of the company	Country of incorporation	Principal activity	Equity interest 2012	Equity interest 2011
Metalix Energy Company K.S.C. (Closed)	*Kuwait*	*Contracting services for oil sector*	**35%**	35%

The following table illustrates summarised financial information of the Group's investment in its associate:

Share of the associate's consolidated statement of financial position:	**2012 KD**	2011 KD
Total assets	**1,247,437**	1,491,881
Total liabilities	**(158,417)**	(236,429)
Equity	**1,089,020**	1,255,452
Share of the associate's revenue and results:		
Revenue	**986,801**	612,489
Results for the year	**58,284**	22,113

Movement in investment in an associate is as follows:

	2012 KD	2011 KD
As at 1 January	**1,586,613**	-
Consideration paid on acquisition	**-**	1,564,500
*Reallocation to intangible assets (Note 7)	**(555,877)**	-
Share of results	**58,284**	22,113
At 31 December	**1,089,020**	1,586,613

*In September 2011, the Parent Company acquired 35% equity interest in Metalex Energy Company K.S.C. (Closed) for total consideration of KD 1,564,500. During the current year, the Parent Company has completed the purchase price allocation (PPA) as required by IFRS and accordingly, an amount of KD 555,877 has been reallocated to intangibles assets as contracts backlog (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

9 INVESTMENT PROPERTIES

	Freehold land KD	*Buildings KD*	*Total KD*
Cost:			
At 1 January 2012	6,100,000	1,888,000	7,988,000
Disposals	(5,000,000)	(1,000,000)	(6,000,000)
At 31 December 2012	1,100,000	888,000	1,988,000
Depreciation:			
At 1 January 2012	-	32,167	32,167
Disposals	-	(29,167)	(29,167)
Charge for the year	-	28,450	28,450
Impairment	506,550	-	506,550
At 31 December 2012	506,550	31,450	538,000
Net carrying amount:			
At 31 December 2012	**593,450**	**856,550**	**1,450,000**
Cost:			
At 1 January 2011	-	-	-
Additions	6,100,000	1,888,000	7,988,000
At 31 December 2011	6,100,000	1,888,000	7,988,000
Depreciation:			
At 1 January 2011	-	-	-
Charge for the year	-	32,167	32,167
At 31 December 2011	-	32,167	32,167
Net carrying amount:			
At 31 December 2011	6,100,000	1,855,833	7,955,833

The fair value of investment properties as at 31 December 2012 is 1,450,000 (2011: KD 7,980,000) which was determined by two independent valuers who are specialized in valuing these type of properties.

10 FINANCIAL ASSETS AVAILABLE FOR SALE

	2012 KD	2011 KD
Managed portfolios (Unquoted equity securities)	**10,151,950**	2,249,867

Managed portfolios carried at cost because fair value could not be reliably measured. Management has carried out a detailed review of its financial assets available for sale to assess for any impairment. Management is not aware of any circumstances that would indicate any impairment in the value of these investments during the current year. Managed portfolios are managed by a related party (Note 20).

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012 KD	2011 KD
Trade receivables	**1,913,578**	4,243,618
Accrued interest income	**14,487**	5,664
Prepaid expenses	**282,293**	355,650
	2,210,358	4,604,932

As at 31 December 2012, trade receivables of KD 552,115 (2011: KD 66,422) were impaired and fully provided for.

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

	2012 KD	2011 KD
Opening balance	**66,422**	-
Add: provision for impairment of account receivable	**485,693**	66,422
Total	**552,115**	66,422

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

		Past due but not impaired			
	Total KD	*30 – 60 days* KD	*60 – 90 day* KD	*90 – 120 day* KD	*>120 days* KD
2012	**1,913,578**	1,813,580	73,679	2,426	23,893
2011	4,243,618	4,011,013	69,640	-	162,965

Receivables which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 KD	2011 KD
:Financial assets held for trading		
Managed portfolio (local quoted equity securities)	**1,679,462**	2,839,239

Managed portfolio is managed by a related party (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following statement of financial position amounts:

	2012 KD	2011 KD
Cash in hand	**794**	2,309
Bank balances	**8,351,149**	5,821,525
Short-term deposits	**10,450,000**	8,500,000
	18,801,943	14,323,834

Short-term deposits are placed with local banks, denominated in KD and carry an effective interest rate of 1.25% (2011: 1.625%) per annum and mature after one month from the date of deposit.

14 SHARE CAPITAL, CASH DIVIDEND AND BONUS SHARES

	Authorised, issued and fully paid	
	2012 KD	2011 KD
349,601,625 shares, (2011: 329,812,854) of 100 fils each paid in cash	34,960,162	32,981,285

Cash dividend and bonus shares
For the year ended 31 December 2012, the Company's board of directors have proposed a distribution of cash dividend of 5 fils per share (2011: Nil) and 5% of bonus shares of paid up share capital (2011:6%) and board of directors' fees of KD 100,000 (2011: KD 100,000). This proposal is subject to the approval by annual ordinary general assembly meeting of the company's shareholders.

At the Ordinary General Assembly Meeting held on 31 May 2012 for the year ended 31 December 2011, the shareholders of the Parent Company have approved the board of directors' proposal to issue bonus shares of 6 shares for each 100 shares, totaling 19,788,771 shares (10 shares for each 100 shares, totaling 29,982,986 for the year ended 31 December 2010).

On the same date, the Extraordinary General Assembly of the Company's shareholders approved the increase of share capital from KD 32,981,285 to KD 34,960,162 through issuance of bonus shares of 6 shares for each 100 shares, totaling 19,788,771 shares (10 shares for each 100 shares, totaling 29,982,986 for the year ended 31 December 2010).

15 STATUTORY RESERVE

In accordance with the Companies Law 25 and the Parent Company's Articles of Association 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Directors' remuneration has been transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid-up share capital.

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

16 VOLUNTARY RESERVE

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

17 TREASURY SHARES

	2012	2011
	KD	KD
Number of treasury shares	3,133,551	1,924,483
Percentage of ownership	0.90%	0.58%
Market value (KD)	651,779	500,367

The treasury shares reserve is not available for distribution.

18 ACCOUNTS PAYABLE AND ACCRUALS

	2012	2011
	KD	KD
Trade payables (Note 20)	9,863,240	8,500,071
Accrued expenses	981,778	727,856
Dividend payables	978,408	1,114,773
	11,823,426	10,342,700

19 CONTINGENCIES AND COMMITMENTS

	2012	2011
	KD	KD
Letters of guarantee	5,218,118	5,218,848
Capital commitments	1,432,262	827,000

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

	2012	2011
	KD	KD
Not later than one year	565,183	583,719
After one year and not later than five years	188,532	28,659
	753,715	612,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

20 RELATED PARTY TRANSACTIONS

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

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

	Other related parties	*Major shareholder*	***2012 Total***	*2011 Total*
	KD	*KD*	***KD***	*KD*
Purchase of fuel	-	80,208,397	80,208,397	76,122,789
Purchase of investment properties (net)	-	-	-	7,955,833
Operating expenses	51,034	-	51,034	49,851
Administrative expenses	39,422	-	39,422	25,976

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

	Other related parties	*Major shareholder*	***2012 Total***	*2011 Total*
	KD	*KD*	***KD***	*KD*
Financial assets available for sale	10,151,950	-	10,151,950	965,600
Financial assets at fair value through profit or loss	1,679,462	-	1,679,462	2,839,239
Accounts payable and accruals	-	9,097,447	9,097,447	8,065,576

Financial assets available for sale (Note 10) and financial assets at fair value through profit or loss (Note 12) are managed by a related party.

	2012	2011
	KD	KD
Key management compensation		
Short-term benefits	164,629	88,142
Employees' end of service benefits	8,836	3,365
	173,465	91,507

21 SEGMENTAL INFORMATION

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

Fuel marketing and other related services – represents the sale of fuel and other related services arising from fuel stations.

Investment operations – represents investment in managed portfolio, short term money market placements and real estate.

21 SEGMENTAL INFORMATION (continued)

	Fuel marketing and other related services	*Investment operations*	*Unallocated*	*Total*
Year ended 31 December 2012	***KD***	***KD***	***KD***	***KD***
Segment revenue	**92,330,786**	**(147,655)**	**-**	**92,183,131**
Depreciation and amortization	**862,630**	**28,450**	**315,290**	**1,206,370**
Segment results	**4,564,533**	**(147,655)**	**(369,920)**	**4,046,958**

	Fuel marketing and other related services	*Investment operations*	*Unallocated*	*Total*
Year ended 31 December 2011	*KD*	*KD*	*KD*	*KD*
Segment revenue	87,688,022	(117,858)	-	87,570,164
Depreciation and amortization	893,072	-	201,691	1,094,763
Segment results	5,189,745	(117,858)	(587,779)	4,484,108

	Retail petroleum and other services	*Investment operations*	*Unallocated*	*Total*
	KD	***KD***	***KD***	***KD***
Segment assets as at 31 December 2012	**34,812,049**	**23,950,758**	**95,939**	**58,858,746**
Segment assets as at 31 December 2011	33,151,246	22,344,624	60,177	55,556,047

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2012 and 2011.

22.1 Credit risk

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

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group uses its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.1 Credit risk (continued)

Maximum exposure to credit risk

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

	2012	**2011**
	KD	KD
Cash and cash equivalents	**18,801,943**	14,323,834
Accounts receivable	**1,913,578**	4,243,618
	20,715,521	18,567,452

Risk concentration of maximum exposure to credit risk

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

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Concentration of credit risk is represented by one major customer representing 54% (2011: 33%) of the trade receivables balance. The Group is not exposed to credit risk from such customer as it is a governmental entity. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

22.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet liabilities as they fall due.

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

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

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

	On demand	*Less than 3 months*	*3 to 12 months*	*Total*
2012	***KD***	***KD***	***KD***	***KD***
Accounts payable and accruals	**978,408**	**10,845,018**	**-**	**11,823,426**
Total liabilities	**978,408**	**10,845,018**	**-**	**11,823,426**
2011				
Term loan	-	332,833	1,664,167	1,997,000
Accounts payable and accruals	1,114,773	9,227,927	-	10,342,700
Total liabilities	1,114,773	9,560,760	1,664,167	12,339,700

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of three types of risks: profit rate risk, currency risk, and equity price risk.

22.3.1 Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not significantly exposed to foreign currency risk as majority of its monetary assets and liabilities are denominated in the functional currency of the operating entities.

22.3.2 Interest risk
Interest rate risk is the risk that the fair value or future cash flows of the interest bearing assets and liabilities will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk since it has no floating rate interest bearing assets or liabilities as at 31 December 2012.

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

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

	Increase/decrease in stock prices (%)	*Effect on profit for the year KD*
2012		
Financial assets held at fair value through profit or loss	**± 5**	**±83,973**
2011		
Financial assets held at fair value through profit or loss	± 5	±141,962

23 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 2011.

Capital comprises of share capital, statutory reserve, voluntary reserve, treasury shares and retained earnings and is measured at KD 46,828,228 as at 31 December 2012 (2011: KD 43,028,785).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - At 31 December 2012

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair values of financial assets, except for unquoted equity securities classified as financial assets available for sale (Note 10), are not materially different from their carrying values at the reporting date.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value

2012	*Level 1 KD*	*Level 2 KD*	*Level 3 KD*	*Total KD*
Financial assets at fair value through profit or loss	1,679,462	-	-	**1,679,462**

2011	*Level 1 KD*	*Level 2 KD*	*Level 3 KD*	*Total KD*
Financial assets at fair value through profit or loss	2,839,239	-	-	2,839,239


ALFA
ATM

ALFA
ALFA

Ultra
Super
Premium
98
95
91


ALFA

SUBWAY
بقالة

ALFA