Agility

A New Logistics Leader

Annual Report 2015

Agility Public Warehousing Company K.S.C.P. And Subsidiaries

Content


Agility
Concept

Financial Highlights

Revenues (KD Mln)
2015: 1,304
2014: 1,357
2013: 1,376

EBITDA (KD Mln)
2015: 100
2014: 100
2013: 94

Net Income (KD Mln)
2015: 53
2014: 51
2013: 46

EPS (Fils)
2015: 46.41
2014: 44.19
2013: 42.17

Total Assets (KD Mln)
2015: 1,462
2014: 1,452
2013: 1,412

Net Cash (KD Mln)
2015: 33
2014: 60
2013: 82

Share holder's Equity (KD Mln)
2015: 907
2014: 889
2013: 878


BJ
BI
BH
BG
BF
BE
BD
BC
BB

Board of Directors

Henadi Anwar Al-Saleh
Chairman

Tarek Abdulaziz Sultan Al-Essa
Vice Chairman

Ayman Bader Sultan Al-Essa
Board Member

Jameel Sultan Al-Essa
Board Member

Adel Mohammed Al-Bader
Board Member

Esam Khaleel Al Refaei
Board Member

Naser Mohammed Al-Rashed
Board Member

Dear Valued Shareholders,

First, I would like to welcome you for the thirty fifth Annual General Meeting for Agility Public Warehousing Company KSCP for the financial year ending December 31st, 2015, where Agility reported a net profit of KD 53 million, or 46.41 fils per share, an increase of 5% over the same period in 2014. Revenue for the year stood at KD 1.3 billion. EBITDA stood at KD 100 million.

Agility made good progress in 2015 but still has a demanding road ahead to make it the leading company we all desire. In 2015, we were able to generate KD 105 million cash from operations, a 68% improvement from last year. We improved our free cash flow by KD 6 million to reach KD 31 million in 2015, despite challenging economic times. Our longer-term target is to reach an EBITDA of USD 800 million by 2020. Our efforts to define a clearer strategy and improve execution are paying off in stronger customer relationships, an expanding emerging market footprint, a sharper focus, and a more disciplined management approach.

The Agility Board of Directors has proposed a dividends distribution of 30% (30 fils per share) for the fiscal year 2015, subject to the approval of the Annual General Meeting. The Board also announced that Agility will pursue a treasury share buyback "program" to repurchase up to 10% of its share capital, in compliance with the rules and the regulations set forth by the CMA and other relevant regulatory authorities. The Agility Board authorized repurchases, from time to time, at a price the Board believes to be well below the intrinsic value of the company. Shareholders' returns are not limited to dividends but are also enhanced through the acquisition of shares by the company. The decision to pursue a buyback program demonstrates our belief that the true value of the company is greater than the current market value and that repurchased shares will be accretive to remaining shareholders.

The buyback program will entail various mechanisms, such as a tender offer or purchases through the open market. The company will make the announcement of the price and the size of the share buyback at the time of the offer.

Agility's Global Integrated Logistics (GIL)

GIL revenue for 2015 was KD 997 million, a 6% decline from 2014. Revenue was affected by challenging and volatile market conditions and by exposure to currency fluctuations. On a constant currency basis, revenue declined by 2%.

GIL net revenue on a constant currency basis improved by 3%, and margins expanded to 25% in 2015 from 23% in 2014. The improvement resulted from continued growth in contract logistics and better performance within the freight forwarding business, particularly ocean freight. Air freight volumes softened towards the end of 2015, but ocean freight volumes and yields improved, driven by better commercial discipline.

GIL's roadmap remains the same. Its aim is to improve operational performance through technology-driven transformation, stronger commercial performance and better efficiency, GIL's strat-

Vice Chairman and CEO's Message

egy and improved execution are paying off. The challenge is to further accelerate improvement to deliver results.

Agility's Infrastructure Group

For 2015, revenue for Agility's Infrastructure Group increased 4% to KD 314 million, when compared with 2014.

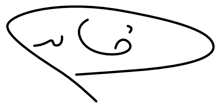
Revenue for Agility's Real Estate business grew 9% from 2014. Agility maintains a strong real estate platform in Kuwait, but is also actively developing holdings in other Gulf countries and Africa.

Agility has made significant investments in the Infrastructure companies over the last two years in order to ensure the foundation for future growth. We continue to believe in the long-term opportunities that the Infrastructure companies have to tap into niche segments in emerging markets.

Agility's Real Estate business expects to open its first logistics and distribution park in Accra, Ghana shortly. National Aviation Services, Agility's aviation services company, recently secured a contract to provide services in Abidjan, Ivory Coast. UPAC, which specializes in real estate development and facilities management, has entered into a partnership to develop the Reem Mall on Abu Dhabi's Reem Island.

At the end, we see a mixed picture for 2016 clouded by slower growth in emerging markets, ongoing sluggishness in the Eurozone, geopolitical instability in various parts of the world, and the continuation of low oil prices. Given those conditions, we know we have to stay focused and disciplined. But in the medium to longer term, we believe in our ability to grow our market share and footprint in emerging markets to serve growing consumer demand. I am confident in our strategy and our ability to meet our 2020 EBITDA target of $800 million.

Thank you.



Tarek Abdulaziz Sultan Al Essa
Vice Chairman and CEO

Building a better
working world

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Auditor's Report

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGILITY PUBLIC WAREHOUSING COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Agility Public Warehousing Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as of 31 December 2015, and the consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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

Basis for Qualified Opinion

As stated in Note 11 to the consolidated financial statements, the Group's investment in Korek Telecom and its related loan ("Korek") is carried at KD 108,921 thousand (2014: KD 105,148 thousand) and KD 35,258 thousand (2014: KD 31,109 thousand) respectively, in the consolidated statement of financial position as at 31 December 2015. We were unable to obtain sufficient appropriate audit evidence about the fair value of the investment in Korek and the recoverability of the related loan as at 31 December 2015 and 31 December 2014 due to the nature and significant uncertainty around the value of the investment and related loan. Consequently, we were unable to determine whether any adjustments to the carrying value of Korek was necessary.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
We draw attention to:
(i) Note 2 to the consolidated financial statements which describes that the Parent Company was indicted by a federal grand jury in the United States of America ("US") on multiple counts of False Claims Act Violations. Furthermore, the United States Department of Justice also joined the qui tam lawsuit against the Parent Company under the False Claims Act (the "Qui Tam Proceedings"). The Department of Justice is claiming substantial damages for alleged violations. The Group Companies (including the Parent Company) are suspended from bidding for new contracts with the US Government pending the outcome of the cases. The ultimate outcome of these matters cannot presently be determined, and therefore no provision has been made in the consolidated financial statements; and

(ii) Note 26 (a) and (b) to the consolidated financial statements which describes the contingencies relating to the investigations into the freight forwarding business and litigations with the General Administration of Customs for Kuwait.

Our opinion is not further qualified in respect of the matters set out above.

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, except for the "Basis for Qualified Opinion" paragraph above, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, the executive regulation of Law No. 25 of 2012 and by the Parent Company's Memorandum of Incorporation and 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.1 of 2016, the executive regulation of Law No. 25 of 2012 nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015 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
EY
AL AIBAN, AL OSAIMI & PARTNERS

NAYEF M. AL-BAZIE
LICENCE NO. 91 A
RSM Albazie & Co.

31 March 2016
Kuwait

AGILITY PUBLIC WAREHOUSING COMPANY K.S.C.P.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	31 December 2015 KD 000's	31 December 2014 KD 000's
ASSETS			
Non-current assets			
Property, plant and equipment	5	183,749	175,739
Projects in progress	6	34,267	27,441
Investment properties	7	261,474	237,189
Intangible assets	8	33,995	33,699
Goodwill	9	244,643	246,890
Investment in associates	10	47,622	37,182
Financial assets at fair value through profit or loss	11	108,957	105,184
Financial assets available for sale	12	36,091	23,927
Other non-current assets		29,004	36,952
Loan to a related party	27	9,486	1,055
Loan to an associate	11	35,258	31,109
Total non-current assets		1,024,546	956,367
Current assets			
Inventories	13	13,458	19,695
Trade receivables	14	239,738	270,602
Other current assets	15	70,609	72,101
Bank balances, cash and deposits	16	114,054	133,597
Total current assets		437,859	495,995
TOTAL ASSETS		1,462,405	1,452,362
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	121,185	115,414
Share premium	17	152,650	152,650
Statutory reserve	17	60,593	57,707
Treasury shares	17	(45,288)	(45,038)
Treasury shares reserve		44,366	44,366
Foreign currency translation reserve	17	(15,133)	(16,934)
Hedging reserve	17	(18,225)	(20,463)
Investment revaluation reserve	17	1,294	197
Other reserves	17	(31,225)	(29,248)
Retained earnings		636,809	630,419
Equity attributable to equity holders of the Parent Company		907,026	889,070
Non-controlling interests	4	24,449	22,041
Total equity		931,475	911,111
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	18	41,294	36,938
Interest bearing loans	19	40,238	26,204
Other non-current liabilities	20	17,105	30,069
Total non-current liabilities		98,637	93,211
Current liabilities			
Interest bearing loans	19	41,193	47,117
Trade and other payables	21	383,213	392,865
Dividends payable		7,887	8,058
Total current liabilities		432,293	448,040
Total liabilities		530,930	541,251
TOTAL EQUITY AND LIABILITIES		1,462,405	1,452,362

Tarek Abdul Aziz Sultan
Vice Chairperson and CEO

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 KD 000's	2014 KD 000's
Revenues			
Logistics and freight forwarding revenues		1,175,654	1,223,599
Rental revenues		49,604	45,409
Other services		78,201	88,339
		1,303,459	1,357,347
Cost of revenues		(897,098)	(965,317)
Net revenues		406,361	392,030
General and administrative expenses	22	(320,831)	(315,646)
Change in fair value of investment properties	7	2,369	16,629
Share of results of associates	10	3,592	2,136
Unrealised gain on financial assets at fair value through profit or loss		-	925
Impairment of financial assets available for sale	12	-	(196)
Miscellaneous income		8,336	4,096
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		99,827	99,974
Depreciation	5	(27,405)	(25,916)
Amortisation	8	(3,789)	(3,641)
Profit before interest, taxation and Directors' remuneration (EBIT)		68,633	70,417
Interest income		4,605	4,885
Finance costs		(5,704)	(6,800)
Profit before taxation and Directors' remuneration		67,534	68,502
Taxation	23	(8,404)	(10,015)
Directors' remuneration		(140)	(140)
PROFIT FOR THE YEAR		58,990	58,347
Attributable to:			
Equity holders of the Parent Company		53,387	50,838
Non-controlling interests		5,603	7,509
		58,990	58,347
BASIC AND DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (fils)	24	46.41	44.19

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	*2014*
	KD 000's	*KD 000's*
Profit for the year	58,990	58,347
Other comprehensive income:		
Items that are or may be reclassified to consolidated statement of income in subsequent periods:		
Net change in fair value of financial assets available for sale	1,097	(79)
Transferred to consolidated statement of income on impairment	-	196
Loss on hedge of net investments (Note 19)	(568)	(563)
Gain / (loss) on cash flow hedges (Note 25)	2,806	(2,810)
Foreign currency translation adjustments	4,244	10,586
Net other comprehensive income that are or may be reclassified to consolidated statement of income in subsequent periods	7,579	7,330
Items that will not be reclassified to consolidated statement of income in subsequent periods:		
Re-measurement losses on defined benefit plans (Note 18)	(2,766)	(5,581)
Net other comprehensive loss that will not be reclassified to consolidated statement of income in subsequent periods	(2,766)	(5,581)
Other comprehensive income	4,813	1,749
Total comprehensive income for the year	63,803	60,096
Attributable to:		
Equity holders of the Parent Company	55,757	52,137
Non-controlling interests	8,046	7,959
	63,803	60,096

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 KD 000's	2014 KD 000's
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration		67,534	68,502
Adjustments for:			
Depreciation	5	27,405	25,916
Amortisation	8	3,789	3,641
Change in fair value of investment properties	7	(2,369)	(16,629)
Share of results of associates	10	(3,592)	(2,136)
Unrealised gain on financial assets at fair value through profit or loss		-	(925)
Impairment of financial assets available for sale	12	-	196
Provision for impairment of trade receivables	14	5,184	5,593
Provision for employees' end of service benefits	18	9,597	9,509
Foreign currency exchange loss (gain)		(1,614)	229
Interest income		(4,605)	(4,885)
Finance costs		5,704	6,800
Miscellaneous income		(8,336)	(4,096)
Operating profit before changes in working capital		98,697	91,715
Inventories		6,455	(4,144)
Trade receivables		20,225	(27,622)
Other current assets		(13,440)	1,672
Trade and other payables		8,323	19,064
Cash from operations		120,260	80,685
Taxation paid		(8,242)	(8,280)
Directors' remuneration paid		(140)	(140)
Employees' end of service benefits paid	18	(7,324)	(9,865)
Net cash flows from operating activities		104,554	62,400
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(31,755)	(25,775)
Proceeds from disposal of property, plant and equipment		-	879
Additions to projects in progress	6	(14,343)	(4,536)
Additions to investment properties	7	(6,742)	(6,918)
Additions to intangible assets	8	(2,595)	(184)
Acquisition of investment in an associate	10	(8,075)	(5,294)
Acquisition of additional interest in subsidiaries		(1,763)	(2,658)
Net movement in financial assets available for sale		(3,507)	(753)
Net movement in other non-current assets		2,042	7,534
Loan to a related party		(8,430)	(1,055)
Dividends received from an associate	10	1,242	1,110
Net movement in deposits with original maturities exceeding three months	16	29,762	28,581
Interest income received		1,184	3,206
Net cash flows used in investing activities		(42,980)	(5,863)
FINANCING ACTIVITIES			
Purchase of treasury shares		(250)	-
Net movement in interest bearing loans		(3,118)	1,646
Finance costs paid		(7,113)	(5,749)
Dividends paid to equity holders of Parent Company		(37,902)	(41,250)
Dividends paid to non-controlling interests		(3,488)	(2,798)
Net cash flows used in financing activities		(51,871)	(48,151)
Net foreign exchange differences		516	1,056
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,219	9,442
Cash and cash equivalents at 1 January		96,988	87,546
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	107,207	96,988

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to equity holders of the Parent Company												
	Share capital KD 000's	*Share premium KD 000's*	*Statutory reserve KD 000's*	*Treasury shares KD 000's*	*Treasury shares reserve KD 000's*	*Foreign currency translation reserve KD 000's*	*Hedging reserve KD 000's*	*Investment revaluation reserve KD 000's*	*Other reserves KD 000's*	*Retained earnings KD 000's*	*Sub total KD 000's*	*Non- con-trolling interests KD 000's*	*Total equity KD 000's*
As at 31 December 2014	115,414	152,650	57,707	(45,038)	44,366	(16,934)	(20,463)	197	(29,248)	630,419	889,070	22,041	911,111
Profit for the year	-	-	-	-	-	-	-	-	-	53,387	53,387	5,603	58,990
Other comprehensive income (loss)	-	-	-	-	-	1,801	2,238	1,097	(2,766)	-	2,370	2,443	4,813
Total comprehensive income (loss) for the year	-	-	-	-	-	1,801	2,238	1,097	(2,766)	53,387	55,757	8,046	63,803
Dividends (Note 17)	-	-	-	-	-	-	-	-	-	(38,340)	(38,340)	-	(38,340)
Issue of bonus shares (Note 17)	5,771	-	-	-	-	-	-	-	-	(5,771)	-	-	-
Purchase of treasury shares	-	-	-	(250)	-	-	-	-	-	-	(250)	-	(250)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,488)	(3,488)
Transfer to statutory reserve	-	-	2,886	-	-	-	-	-	-	(2,886)	-	-	-
Acquisition of additional interest in subsidiaries (Note 4)	-	-	-	-	-	-	-	-	789	-	789	(2,150)	(1,361)
As at 31 December 2015	121,185	152,650	60,593	(45,288)	44,366	(15,133)	(18,225)	1,294	(31,225)	636,809	907,026	24,449	931,475

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to equity holders of the Parent Company												
	Share capital KD 000's	*Share premium KD 000's*	*Statutory reserve KD 000's*	*Treasury shares KD 000's*	*Treasury shares reserve KD 000's*	*Foreign currency translation reserve KD 000's*	*Hedging reserve KD 000's*	*Investment revaluation reserve KD 000's*	*Other reserves KD 000's*	*Retained earnings KD 000's*	*Sub total KD 000's*	*Non- con- trolling interests KD 000's*	*Total equity KD 000's*
As at 31 December 2013	109,918	152,650	54,959	(45,038)	44,366	(27,070)	(17,090)	80	(24,818)	629,569	877,526	19,109	896,635
Profit for the year	-	-	-	-	-	-	-	-	-	50,838	50,838	7,509	58,347
Other comprehensive income (loss)	-	-	-	-	-	10,136	(3,373)	117	(5,581)	-	1,299	450	1,749
Total comprehensive income (loss) for the year	-	-	-	-	-	10,136	(3,373)	117	(5,581)	50,838	52,137	7,959	60,096
Dividends (Note 17)	-	-	-	-	-	-	-	-	-	(41,744)	(41,744)	-	(41,744)
Issue of bonus shares (Note 17)	5,496	-	-	-	-	-	-	-	-	(5,496)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,798)	(2,798)
Transfer to statutory reserve	-	-	2,748	-	-	-	-	-	-	(2,748)	-	-	-
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	1,151	-	1,151	(2,229)	(1,078)
As at 31 December 2014	115,414	152,650	57,707	(45,038)	44,366	(16,934)	(20,463)	197	(29,248)	630,419	889,070	22,041	911,111

The attached notes 1 to 31 form part of these consolidated financial statements.

1- CORPORATE INFORMATION

Agility Public Warehousing Company K.S.C.P. (the "Parent Company") is a public shareholding company incorporated in 1979, and listed on Kuwait Stock Exchange and Dubai Stock Exchange. The Parent Company's Head office is located at Sulaibia, beside Land Customs Clearing Area, P.O. Box 25418, Safat 13115, Kuwait. The Group operates under the brand name of "Agility".

The main objectives of the Parent Company are as follows:

- Construction, management and renting of all types of warehouses.
- Warehousing goods under customs› supervision inside and outside customs areas.
- Investing the surplus funds in investment portfolios.
- Participating in, acquiring or taking over companies of similar activities or those that would facilitate in achieving the Parent Company›s objectives inside or outside Kuwait.
- All types of transportation, distribution, handling and customs clearance for goods.
- Customs consulting, customs automation, modernisation and decision support.

The principal subsidiaries and their activities are explained in Note 4.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 24 March 2016, and are issued subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The new Companies Law No 1 of 2016 was issued on 24 January 2016 and was published in Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to Article No 5, the new law will be effective retrospectively from 26 November 2012, and the executive regulation of Law No 25 of 2012 will continue until a new set of executive regulations is issued.

2- SUBSISTENCE PRIME VENDOR AND OTHER CONTRACTS - US INVESTIGATION

In 2007, the Parent Company was served with an administrative subpoena and, subsequently, in March 2008, with a grand jury subpoena, by the US Government in connection with an investigation into certain aspects of the Subsistence Prime Vendor ("SPV") Contract which expired in December 2010. In addition, some employees of the Group were served with civil investigative demands. The Parent Company cooperated with this investigation and produced numerous records in response to this request.

In November 2009, the Parent Company was indicted by a federal grand jury in United States on multiple counts of False Claims Act violations. Furthermore, The United States Department of Justice also joined the qui tam lawsuit against the Parent Company under the US False Claims Act (the "Qui Tam Proceedings"). The Department of Justice is claiming substantial damages for alleged violations. The Parent Company pled not guilty to the indictment. Between February and November 2012, both parties filed various motions and opposition briefs which are pending before the court for ruling. The Parent Company's filings included motions to dismiss the indictment on various grounds and a motion to transfer venue to another judicial district.

As a result of this indictment, the Group companies (including the Parent Company) are suspended from bidding for new contracts with the US Government pending the outcome of the cases. However, the suspension did not affect continued performance of the existing contracts.

A judgment was issued by the higher Court of Appeal in the State of Kuwait on January 30, 2014 annulling the notices of service of process made upon the request of the competent American authorities at the Court of North Georgia in the United States, and determining such notices to be void ab initio. The judgment determined the Qui Tam Proceedings to be criminal in nature and further enjoined the Undersecretary in the Kuwait Ministry of Justice and others from serving the Parent Company, its employees and their dependents with any legal document related to the ongoing litigation at the Court of North Georgia in the United States. The above judgment is procedural in nature, and does not have any impact on the financial information of the Parent Company. As required by applicable law, the Parent Company has made disclosure of the foregoing judgment to the Kuwait Stock Exchange and the Kuwait Capital Markets Authority. The impact of this judgment leads to the same results that have been disclosed in the notes to previous consolidated financial statements of the Group.

2- SUBSISTENCE PRIME VENDOR AND OTHER CONTRACTS - US INVESTIGATION (continued)

With respect to the Qui Tam Proceedings, in an order dated February 5, 2016, the United States District Court granted the United States' motion for alternative service of the Parent Company. The Qui Tam Proceedings are pending in the Northern District of Georgia in the United States. The order is not a final judgment in the matter.

Furthermore, in 2009, in relation to a cost reimbursable contract, the U.S. Defense Contract Audit Agency (DCAA) determined that reimbursement requests for certain costs incurred by the Parent Company were not proper, and demanded repayment of approximately KD 23 million from the Parent Company. In 2011, the US Government collected KD 4.7 million from this amount by offsetting payments due on the Group's other US Government contracts.

In November 2010, the Parent Company filed a Notice of Appeal in respect of the matter to the U.S. Armed Services Board of Contract Appeals (ASBCA). On December 10, 2014, the ASBCA ruled that it did not have subject-matter jurisdiction to review the appeal by the Parent Company.

On April 8, 2015, the Parent Company appealed the ASBCA ruling to the U.S. Court of Appeals for the Federal Circuit. As part of the same contract, the Parent Company asserted a KD 13 million claim for non-reimbursed costs. This claim was denied by the ASBCA and consolidated with the above referenced Government claim for KD 23 million. Both claims are therefore on appeal to the U.S. Court of Appeals for the Federal Circuit. The Parent Company also filed a separate complaint at the U.S. Court of Federal Claims on 7 April 2015 on a different jurisdictional basis seeking the KD 13 million affirmative claim, the KD 4.7 million which was offset by the U.S. Government as aforementioned, and a determination that the KD 23 million demanded by the US Government is invalid. This case is currently stayed pending resolution of the appeal in the U.S. Court of Appeals for the Federal Circuit.

Despite inherent uncertainty surrounding these cases, no provision is recorded by the management in the consolidated financial statements. The Parent Company (after consulting the external legal counsel) is not able to comment on the likely outcome of the cases.

3- SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investment properties, financial assets carried at fair value through profit or loss, financial assets available for sale and derivative financial instruments.

The consolidated financial statements are presented in Kuwaiti Dinars which is the Parent Company's functional currency and all values are rounded to the nearest thousand (KD '000) except when otherwise indicated.

Statement of compliance

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Group) including special purpose entities as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

The results of the subsidiaries acquired or disposed off during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following amended IASB Standards during the year:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 January 2015. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment is not relevant for the Group.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively for annual periods beginning on or after 1 January 2015 and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

Annual improvements for 2010-2012 and 2011-2013 cycle which are effective from 1 July 2014 are not expected to have a material impact on the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

Standards issued but not yet effective

The standards and interpretations those are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9: Financial Instruments

The IASB issued IFRS 9 in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

IFRS 15: Revenue from Contracts with customers

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 Construction contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and Standards Interpretation Committee ("SIC"31) from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

Additional disclosures will be made in the consolidated financial statements when these standards, revisions and amendments become effective.

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 acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

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

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39 it is measured in accordance with the appropriate IFRS.

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 Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

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

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

Current versus non-current classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period, or
- Bank balances, cash and deposits unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The initial cost of property, plant and equipment comprises their cost and any directly attributable costs of bringing an item of property, plant and equipment to its working condition and location. Expenditure incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

• Buildings and improvements	15 to 30 years
• Tools, machinery and equipment	2 to 10 years
• Vehicles and ships	2 to 10 years
• Furniture and office equipment	3 to 5 years

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

An item of property, plant and equipment 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 in the period the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Projects in progress

Projects in progress are carried at cost less impairment, if any. Costs are those expenses incurred by the Group that are directly attributable to the construction of assets. Once completed, the assets are transferred to either investment properties or to property, plant and equipment, depending on the management's intended use of the asset.

Investment properties

Investment properties comprise completed properties held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. Investment properties are initially recorded at cost being the fair value of the consideration given and including acquisition charges associated with the investment property.

After initial recognition, the properties are re-measured to fair value annually on an individual basis with any gain or loss arising from a change in fair value being included in the consolidated statement of income in the period in which it arises.

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. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the period of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The Group has classified certain assets held under long term operating leases as investment properties.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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

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

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

Build-own-transfer ("BOT") projects

BOT projects are amortised over the duration of the individual contracts in the range of 4 to 20 years.

Customer lists

Customer lists are amortised over a period of 15 years, which is determined to be the expected period of benefit from holding these lists.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

Brand

The brand is assumed to have an indefinite useful life and is subject to impairment testing on at least an annual basis.

Goodwill

Accounting policy relating to goodwill is documented in the accounting policy "Business combinations and goodwill".

Investment in associates

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate are either accounted for using the equity method or is measured at fair value.

a. Equity method

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

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate 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 consolidated income statement.

b. Measured at fair value

The Group's investment in an associate held though a Venture Capital Organisation, is measured at fair value. This treatment is permitted by IAS 28 'Investment in Associates', which allows investments held by Venture Capital Organisations to be accounted for at fair value through profit or loss in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', with changes in fair value recognised in the consolidated statement of income in the period of the change.

Financial assets and liabilities

The Group's financial assets includes "financial assets at fair value through profit or loss", "financial assets available for sale", "loan to an associate", "trade receivables", "other current assets", "bank balances, cash and deposits" and "derivative financial instruments" whereas the Group's financial liabilities includes "interest bearing loans" and "trade and other payables". The Group determines the classification of its financial assets and liabilities at initial recognition.

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A regular way purchase of financial assets is recognised using the trade date accounting. Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract.

Financial assets and liabilities are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not carried at fair value through profit or loss, directly attributable transaction costs. Transaction costs on financial assets carried at fair value through profit or loss are expensed immediately, while on other debt instruments they are amortised.

Financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss and investment in associates held through Venture Capital Organisation. 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 if they are managed, and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. 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 consolidated statement of income.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables or held for trading. After initial measurement, financial assets available for sale are measured at fair value with unrealised gains or losses being recognised in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss recorded in other comprehensive income is recognised in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss previously recorded in other comprehensive income is recognised in the consolidated statement of income. Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Interest earned whilst holding financial assets available for sale is reported as interest income using the effective interest rate method.

Loan to an associate

Loan to an associate is a non-derivative financial asset with fixed or determinable payments which is not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate, less impairment, if any.

Trade receivables

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

Other current assets

Other current assets are carried at their value, less impairment, if any.

Bank balances, cash and deposits

Bank balances, cash and deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

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

Financial liabilities

Interest bearing loans

Interest bearing loans are carried on the consolidated statement of financial position at their principal amounts. Installments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues in the consolidated statement of income, with unpaid amounts included in accrued expenses under 'trade and other payables'.

Trade and other payables

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

Derecognition of financial assets and liabilities

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

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Offsetting

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward rate agreements to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the consolidated statement of income.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The fair value of options is determined using an option pricing model.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated statement of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the consolidated statement of income.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of income over the remaining term to maturity. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated statement of income.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while any ineffective portion is recognised immediately in the consolidated statement of income. Amounts taken to other comprehensive income are transferred to consolidated statement of income when the hedged transaction affects the consolidated statement of income, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment occurs.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to consolidated statement of income.

The Group uses interest bearing loans to hedge its exposure to foreign exchange risk on its investments in overseas subsidiaries. Refer to Note 19 for more details.

Fair values

The Group measures financial instruments, such as financial assets at fair value through profit or loss and financial assets available for sale, and non-financial assets such as investment properties at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets available for sale, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for the valuation of Group's investment properties. Involvement of external valuers is decided upon annually by the management. Selection criteria include regulatory requirements, market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on the weighted average basis. Net realisable value is based on estimated selling price in the ordinary course of the business, less any further costs expected to be incurred on completion and disposal.

Impairment

Financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) may have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Evidence of impairment may include indications that the borrower or a group of borrowers 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

- for assets carried at fair value, impairment loss is the difference between carrying value and fair value;
- for assets carried at amortised cost, impairment is based on estimated future cash flows discounted at the original effective interest rate, and
- for assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

In addition, an allowance is made to cover impairment for specific groups of assets where there is a measurable decrease in estimated future cash flows.

Impairment losses on equity investments classified as available for sale are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income. In the case of debt instruments classified as available for sale, if the fair value of a debt instrument increases in a subsequent year and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than, investment property and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's segment information reporting format determined in accordance with IFRS 8: Operating Segment.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

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

Foreign currency translation

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. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at reporting date. All differences are taken to the consolidated statement of income with the exception of differences on foreign currency borrowings accounted for as a hedge of a net investment in foreign operations.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as 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 was determined. In case of non-monetary assets whose change in fair values are recognized directly in other comprehensive income, foreign exchange differences are recognized directly in OCI and for non-monetary assets whose change in fair value are recognized directly in the consolidated income statement, foreign exchange differences are recognized in the consolidated statement of income.

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the Parent Company's presentation currency KD at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average rates of exchange for the foreign operation's period of operations. The resulting foreign currencies translation differences are accumulated in a separate section of equity (foreign currency translation reserve) until the disposal of the foreign operation. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of income.

Provisions

A provision is recognised when, and only when the Group has a present legal or constructive obligation as a result of a past event and 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

Employees' end of service benefits

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard (IAS) 19 – Employee Benefits are charged to the consolidated statement of income in the year to which they relate.

Expatriate employees in Kuwait

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Group's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard (IAS) 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the reporting date.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

International

The Group has a number of defined benefit pension plans that cover a substantial number of employees other than Kuwaiti and expatriates in Kuwait. Retirement benefits are provided based on compensation as defined by local labour laws or employee contracts. The Group's policy is to fund some of these plans in accordance with local practice and contributions are made in accordance with independent actuarial valuations.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to 'other reserve' through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Past service costs are recognised in consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'salaries and employee benefits' in consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Leases

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

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

A property interest that is held by the Group under an operating lease may be classified and accounted for as an investment property when the property otherwise meets the definition of an investment property, evaluated property by property, and based on management's intention. The initial cost of a property interest held under a lease and classified as an investment property is determined at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.

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

Logistics revenue

Logistics revenue primarily comprises inventory management, order fulfilment and transportation services. Logistics revenue is measured at the fair value of consideration received or receivable for goods and services and is recognised upon completion of the services.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Freight forwarding and project forwarding revenues

The Group generates freight forwarding revenues by purchasing transportation capacity from independent air, ocean and overland transportation providers and reselling that capacity to customers. Revenues are recognised in the period services are rendered, by reference to stage of completion of the services.

Rental revenue

Rental income arising on investment properties is accounted for on a straight line basis over the lease term.

Interest income

Interest income is recognised as interest accrues using the effective interest method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income

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

Taxation

National Labour Support Tax (NLST)

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

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that 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 taxable profit for the year in accordance with the Ministry of Finance resolution No. 58/2007. As per law, income from associates and subsidiaries, cash dividends received from companies listed in Kuwait Stock Exchange which are subjected to Zakat have been deducted from the profit for the year.

Taxation on overseas subsidiaries

Certain of the Parent Company's subsidiaries are subject to taxes on income in various foreign jurisdictions. Taxes payable are provided on taxable profits at the current rate in accordance with the fiscal regulations in the country where the subsidiary is located.

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 disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Classification of financial assets

Management decides upon acquisition of an investment whether it should be classified as financial assets available for sale or financial assets at fair value through profit or loss.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Classification of financial assets at fair value through profit or loss depends on how management monitors the performance of those financial assets. When financial assets have readily available and reliable fair values and the changes in fair values are reported as part of the consolidated statement of income in the management accounts, they are classified at fair value through profit or loss. All other financial assets are classified as financial assets available for sale.

Impairment of financial assets available for sale

The Group treats equity 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.

Operating lease Commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

Contingencies

Contingent assets and liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of inflow or outflow respectively of resources embodying economic benefits is remote.

Consolidation of entities in which the Group holds less than majority of voting rights

The Group considers that it controls Agility Abu Dhabi PJSC even though it owns less than 50% of the voting rights. This is because the Group manages and controls the operations of the entity and all operational and strategic decisions require the approval of the Group.

Based on these facts and circumstances, management determined that, in substance, the Group controls this entity.

Estimates and assumptions

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:

Impairment of goodwill and intangible assets (with indefinite life)

The Group determines whether goodwill and indefinite life intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and intangible assets with indefinite lives at 31 December 2015 were KD 244,643 thousand and KD 4,721 thousand respectively, (2014: KD 246,890 thousand and KD 4,721 thousand, respectively). More details are given in Notes 8 and 9.

Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated statement of income. Fair value is determined based on comparative analysis based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 30 for further disclosures.

Pension and other post employment benefits

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about defined benefit obligations are given in Note 18.

Impairment of trade receivables

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

Valuation of inventories

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

4- GROUP INFORMATION

Principal subsidiaries of the Group are as follows:

Name of company	*Ownership % as at 31 December* *2015*	*2014*	*Country of incorporation*
PWC Transport Company W.L.L.	100.00%	100.00%	State of Kuwait
Agility DGS Logistics Services K.S.C.C.	100.00%	100.00%	State of Kuwait
Gulf Catering Company for General Trading and Contracting W.L.L.	100.00%	100.00%	State of Kuwait
Metal Recycling Company K.S.C.P. ("MRC")	66.48%	66.48%	State of Kuwait
Global Clearing House Systems K.S.C.C.	60.60%	60.60%	State of Kuwait
National Aviation Services Company W.L.L.	95.00%	95.00%	State of Kuwait
United Projects Company For Aviation Services K.S.C. (Closed)	92.63%	92.63%	State of Kuwait
Tristar Transport L.L.C.	80.00%	80.00%	United Arab Emirates
Agility Logistics L.L.C.	100.00%	100.00%	United Arab Emirates
Agility Abu Dhabi P.J.S.C. (Note 3)	49.00%	36.50%	United Arab Emirates
Agility Logistics Corp.	100.00%	100.00%	United States of America
Agility Project Logistics Inc.	100.00%	100.00%	United States of America
Agility Company L.L.C.	100.00%	100.00%	Saudi Arabia
Agility Logistics Private Limited	100.00%	100.00%	India
Agility Logistics GmbH	100.00%	100.00%	Germany
Agility Logistics Limited	100.00%	100.00%	Hong Kong
Agility Logistics International B.V	100.00%	100.00%	Netherland
Agility International Logistics Pte Ltd.	100.00%	100.00%	Singapore
Agility Logistics Holdings Pte Ltd.	100.00%	100.00%	Singapore
Agility Logistics Limited	100.00%	100.00%	United Kingdom
Itatrans Agility Logistica Internacional SA	100.00%	100.00%	Brazil
Agility Project Logistics Pty Ltd.	100.00%	100.00%	Australia
Agility Limited	100.00%	100.00%	Papua New Guinea
Agility Logistics (Shanghai) Ltd.	100.00%	100.00%	China
Agility Logistics AG	100.00%	100.00%	Switzerland
Agility Spain SA	100.00%	100.00%	Spain
Agility AB	100.00%	100.00%	Sweden
Agility Company Ltd	100.00%	100.00%	Thailand

The principal activities of the subsidiaries as set out above are logistics and related services.

Acquisition of non-controlling interests

During the year, the Group acquired an additional 12.50 % equity interest in Agility Abu Dhabi PJSC, a company registered in United Arab Emirates. Following the acquisition of this additional equity interest, the Group's equity interest in Agility Abu Dhabi PJSC increased to 49.00%.

	KD 000's
Consideration paid to non-controlling shareholders	(1,361)
Carrying value of the additional equity interest acquired	2,150
Gain recognised in 'other reserve' in equity	789

4- GROUP INFORMATION (continued)

Material partly-owned subsidiary

MRC is the only subsidiary with non-controlling interests that is material to the Group. Summarised financial information of MRC is provided below. This information is based on amounts before inter-company eliminations.

	2015 KD 000's	2014 KD 000's
Summarised statement of income:		
Revenues	11,853	15,719
Cost of revenues	(9,007)	(12,974)
Operating expenses	(4,689)	(2,126)
EBITDA	(1,843)	619
Depreciation and amortisation	(507)	(475)
EBIT	(2,350)	144
Interest income	40	35
Finance cost	(239)	(160)
Taxation	(3)	(5)
(Loss) / profit for the year	(2,552)	14
Profit / (loss) allocated to non-controlling interests	320	(110)
Summarised statement of financial position:		
Non-current assets	28,178	27,874
Current assets	11,200	11,734
Non-current liabilities	(564)	(522)
Current liabilities	(8,760)	(6,481)
Total equity	30,054	32,605
Accumulated balances of non-controlling interests	11,761	11,754
Summarised cash flow information:		
Operating	1,065	467
Investing	(1,060)	(2,213)
Financing	1,596	(329)
Net increase / (decrease) in cash and cash equivalents	1,601	(2,075)

5- PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and improvements	*Tools, machinery and equipment*	*Vehicles and ships*	*Furniture and office equipment*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
Cost:					
As at 1 January 2015	168,859	82,966	58,270	86,443	396,538
Additions	3,235	10,003	12,085	6,432	31,755
Transfer from projects in progress (Note 6)	3,222	-	-	-	3,222
Disposals	(786)	(1,464)	(3,967)	(5,341)	(11,558)
Exchange differences	744	121	642	16	1,523
As at 31 December 2015	175,274	91,626	67,030	87,550	421,480
Depreciation:					
As at 1 January 2015	(52,897)	(54,815)	(39,492)	(73,595)	(220,799)
Charge for the year	(9,125)	(5,602)	(5,233)	(7,445)	(27,405)
Disposals	765	1,440	3,919	5,272	11,396
Exchange differences	(303)	(86)	(435)	(99)	(923)
As at 31 December 2015	(61,560)	(59,063)	(41,241)	(75,867)	(237,731)
Net book value:					
As at 31 December 2015	113,714	32,563	25,789	11,683	183,749

	Land, buildings and improvements	*Tools, machinery and equipment*	*Vehicles and ships*	*Furniture and office equipment*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
Cost:					
As at 1 January 2014	157,699	76,464	54,402	81,183	369,748
Additions	8,052	7,075	3,085	7,563	25,775
Transfer from projects in progress (Note 6)	2,215	-	-	-	2,215
Disposals	(2,512)	(896)	(743)	(2,710)	(6,861)
Exchange differences	3,405	323	1,526	407	5,661
As at 31 December 2014	168,859	82,966	58,270	86,443	396,538
Depreciation:					
As at 1 January 2014	(45,719)	(49,084)	(34,170)	(69,986)	(198,959)
Charge for the year	(8,322)	(6,280)	(5,304)	(6,010)	(25,916)
Disposals	1,923	703	695	2,662	5,983
Exchange differences	(779)	(154)	(713)	(261)	(1,907)
As at 31 December 2014	(52,897)	(54,815)	(39,492)	(73,595)	(220,799)
Net book value:					
As at 31 December 2014	115,962	28,151	18,778	12,848	175,739

The Parent Company's buildings with a carrying value of KD 2,500 thousand (2014: KD 3,189 thousand) are erected on land leased from the Government of Kuwait for renewable periods ranging from five to twenty years.

6- PROJECTS IN PROGRESS

Projects in progress comprise the cost of assets acquired and under construction that are not available for use at the reporting date. These assets, once completed, will be used for the Group's operations.

	2015 *KD 000's*	*2014* *KD 000's*
As at 1 January	27,441	25,101
Additions	14,343	4,536
Transfer from other non current assets	9,711	-
Transfer to property, plant and equipment and investment properties	(18,396)	(2,215)
Exchange differences	1,168	19
As at 31 December	34,267	27,441

7- INVESTMENT PROPERTIES

	2015 *KD 000's*	*2014* *KD 000's*
As at 1 January	237,189	213,642
Additions	6,742	6,918
Transfer from projects in progress	15,174	-
Change in fair value	2,369	16,629
As at 31 December	261,474	237,189

The Group has classified certain commercial properties amounting to KD 258,719 (2014: KD 235,563) held under long term operating leases as investment properties. All investment properties are located in Kuwait.

The fair values of investment properties as at 31 December 2015 and 31 December 2014 were determined by independent valuers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on market approach. In estimating the fair values of the properties, the highest and the best use of the properties is their current use. There has been no change to the valuation techniques during the year. The fair value of investment properties is measured under the Level 3 fair value hierarchy.

The significant assumption used in the determination of fair value was the market price (per sqm).

Under market approach, fair value is estimated based on comparable transactions. The market approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre ('sqm').

A 5% increase or decrease in the estimated market price (per sqm) will increase or reduce the value of the investment properties by KD 13,073 thousand (2014 : KD 11,748 thousand).

8- INTANGIBLE ASSETS

	BOT projects KD 000's	Customer lists KD 000's	Brand KD 000's	Total KD 000's
Cost:				
As at 1 January 2015	34,442	7,271	4,721	46,434
Additions	4,085	-	-	4,085
As at 31 December 2015	38,527	7,271	4,721	50,519
Accumulated amortisation:				
As at 1 January 2015	(8,069)	(4,666)	-	(12,735)
Charge for the year	(3,291)	(498)	-	(3,789)
As at 31 December 2015	(11,360)	(5,164)	-	(16,524)
Net book value:				
As at 31 December 2015	27,167	2,107	4,721	33,995

	BOT projects KD 000's	Customer lists KD 000's	Brand KD 000's	Total KD 000's
Cost:				
As at 1 January 2014	34,258	7,271	4,721	46,250
Additions	184	-	-	184
As at 31 December 2014	34,442	7,271	4,721	46,434
Accumulated amortisation:				
As at 1 January 2014	(4,926)	(4,168)	-	(9,094)
Charge for the year	(3,143)	(498)	-	(3,641)
As at 31 December 2014	(8,069)	(4,666)	-	(12,735)
Net book value:				
As at 31 December 2014	26,373	2,605	4,721	33,699

The intangible assets were acquired through business combinations in previous years.

BOT projects represent costs incurred on the construction of the Discovery Mall, Sheikh Saa'd Terminal, car park and commercial complex of Kuwait International Airport, and concession fee incurred for providing Ground handling services in Cote d' Ivoire on Build-Own-Transfer (BOT) basis.

The brand is assumed to have an indefinite useful life and is tested for impairment at the reporting date. In the opinion of the management, no impairment is required (2014 : KD Nil).

9- GOODWILL

	2015 KD 000's	2014 KD 000's
Cost:		
As at 1 January	274,108	271,578
Exchange differences	(2,247)	2,530
As at 31 December	271,861	274,108
Impairment:		
As at 1 January and 31 December	(27,218)	(27,218)
Net carrying value	244,643	246,890

The goodwill acquired through business combinations has been allocated to the cash generating units as follows:

	Carrying amount of goodwill	
Cash generating units:	2015 KD 000's	2014 KD 000's
Global Integrated Logistics	223,769	225,012
Infrastructure	20,874	21,878
Total	244,643	246,890

The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management for 2016 and assuming an average annual growth rate of 4.4% (2014: 3.8%) for the four year period thereafter, which is in the range of the current short term growth rate for the logistics industry. The pre-tax discount rate applied to cash flow projections is 10% (2014: 10%) and cash flows beyond the 5 year period are extrapolated using a growth rate of 3% (2014: 3%). As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

Key assumptions used in value in use calculations

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

- Revenue;
- Earning Before Interest, Tax, Depreciation and Amortisation ("EBITDA");
- Discount rates; and
- Growth rate used to extrapolate cash flows beyond the budget period.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash generating units, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

10- INVESTMENT IN ASSOCIATES

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

	2015 KD 000's	2014 KD 000's
At the beginning of the year	37,182	2,333
Reclassified from financial asset at fair value through profit or loss	-	28,698
Addition	8,075	5,294
Share of results	3,592	2,136
Dividend received	(1,242)	(1,110)
Foreign currency translation adjustments	15	(169)
At the end of the year	47,622	37,182

The Group determines that Gulf Warehousing Company Q.S.C. ("GWC") is the material associate of the Group.

	2015 KD '000s	2014 KD 000's
Summarised information of GWC statement of financial position:		
Current assets	93,524	33,555
Non-current assets	157,938	135,462
Current liabilities	(26,914)	(19,015)
Non-current liabilities	(106,988)	(80,157)
Equity	117,560	69,845
Proportion of the Group's ownership	21.11%	21.11%
Group's share in the equity of GWC	24,817	14,744
Goodwill on acquisition	20,034	20,034
Carrying value of GWC	44,851	34,778
Carrying value of other associates	2,771	2,404
	47,622	37,182
Summarised information of GWC statement of income:		
Revenue	65,720	54,028
Profit for the year of GWC	15,443	11,255

The fair value of the Group's interest as at 31 December 2015 in GWC, which is listed on the Qatar Stock Exchange, is KD 47,609 thousand (2014: KD 45,443 thousand).

11- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 KD 000's	2014 KD 000's
Investment in an associate – outside Kuwait	108,921	105,148
Quoted equity securities:		
- In Kuwait	36	36
	108,957	105,184

During the year ended 31 December 2011, the Group (through its wholly owned subsidiary, a Venture Capital Organisation) jointly with France Telecom acquired 44% equity interest in Korek Telecom L.L.C. ("Korek Telecom"), a limited liability company incorporated in Iraq, via a joint company owned 54% by the Group and 46% by France Telecom. As a result, the Group owns 23.7% indirect interest in Korek Telecom.

The investment in Korek Telecom has been classified as an investment in an associate as the Group exercises significant influence over financial and operating policies of Korek Telecom. As this associate is held as part of Venture Capital Organization's investment portfolio, it is carried in the consolidated statement of financial position at fair value. This treatment is permitted by IAS 28 "Investment in Associates and Joint Ventures" which allows investments held by Venture Capital Organisations to be accounted for at fair value through profit and loss in accordance with IAS 39, with changes in fair value recognised in the consolidated statement of income in the period of change. The Group's management was unable to determine the fair value of this investment as at 31 December 2015 and 31 December 2014 due to the certain inherent uncertainties and accordingly the investment is carried at its fair value as at 31 December 2013 of US Dollars 359 Million equivalent to KD 108,921 thousand (2014: KD 105,148 thousand).

As at 31 December 2015, interest bearing loan provided by the Group to Korek Telecom amounted to KD 35,258 thousand (2014: KD 31,109 thousand) (Note 27) for which the Group management is unable to determine the recoverability.

12- FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 KD 000's	2014 KD 000's
Unquoted equity securities:		
- In Kuwait	19,776	17,732
- Outside Kuwait	16,315	6,195
	36,091	23,927

Certain unquoted equity securities amounting to KD 22,921 thousands (2014: KD 20,277 thousands) are carried at cost, less impairment, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments.

The Management has performed a review of its unquoted equity securities to assess whether impairment has occurred in the value of these investments and recorded an impairment loss of KD Nil thousands (2014: KD 196 thousand) in the consolidated statement of income. Management is of the view that no further impairment provision is required as at 31 December 2015 in respect of these investments.

13- INVENTORIES

	2015 KD 000's	2014 KD 000's
Goods for resale	13,653	19,893
Provision for obsolete and slow moving inventories	(195)	(198)
	13,458	19,695

Inventories mainly include items held in stock for delivery to logistics clients as part of logistics supply contracts.

The provision recognised as an expense during the year amounted to KD Nil thousand (2014: KD 159 thousand) which is recognised in the cost of revenues in the consolidated statement of income.

14- TRADE RECEIVABLES

	2015 KD 000's	2014 KD 000's
Gross trade receivables	299,928	327,284
Provision for impairment	(60,190)	(56,682)
	239,738	270,602

The carrying amount of the trade receivables approximates to their fair values. As at 31 December 2015, trade receivables amounting to KD 60,190 thousand (2014: KD 56,682 thousand) were considered impaired and fully provided for.

Movement in the provision for impairment of trade receivables were as follows:

	2015 KD 000's	2014 KD 000's
As at 1 January	56,682	51,881
Charge for the year (Note 22)	5,184	5,593
Amounts written off	(1,264)	(1,983)
Others (including exchange differences)	(412)	1,191
As at 31 December	60,190	56,682

As at 31 December, the ageing analysis of unimpaired trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired					Total
		< 30 days	30 to 60 days	60 to 90 days	90 to 120 days	> 120 days	
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
2015	115,778	41,920	35,755	11,574	17,213	17,498	239,738
2014	147,179	51,660	19,531	17,993	15,538	18,701	270,602

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of Group to obtain collateral over receivables and are, therefore, unsecured.

15- OTHER CURRENT ASSETS

	2015 KD 000's	2014 KD 000's
Prepaid expenses	25,236	27,674
Advances to suppliers	9,678	10,694
Claims in dispute [Note 26 (b)]	10,092	10,092
Deposits	8,353	7,723
Advance to a related party (Note 27)	-	5,000
Jobs in progress	2,089	2,452
Sundry receivables	3,160	2,422
Other claims receivables	2,364	1,918
Staff receivables	1,445	1,506
Other	8,192	2,620
	70,609	72,101

16- BANK BALANCES, CASH AND DEPOSITS

	2015 KD 000's	2014 KD 000's
Cash at banks and on hand	85,461	76,709
Short term deposits	21,746	20,279
Cash and cash equivalents	107,207	96,988
Deposits with original maturities exceeding three months	6,847	36,609
	114,054	133,597

Short term deposits (with original maturities up to three months) are placed for varying periods of one day to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. Term deposits (deposits with original maturities exceeding three months) earn interest ranging from 1% to 1.625% per annum (2014: 1% to 2% per annum).

17- SHARE CAPITAL, RESERVES AND DIVIDEND

a) Share capital

	Number of shares		Amount	
	2015	2014	2015 KD '000s	2014 KD '000s
Authorized, issued and fully paid up shares of 100 fils each	1,211,844,344	1,154,137,464	121,185	115,414

On 27 May 2015, the shareholders at the extraordinary general assembly meeting of the Parent Company approved the increase in authorised share capital from 1,154,137,464 shares to 1,211,844,344 shares (nominal value of each share is 100 fils) by way of bonus shares.

b) Share premium

The share premium is not available for distribution.

c) Statutory reserve

In accordance with the Companies Law, as amended, and the Parent Company's Articles of Association, the Parent Company has resolved not to increase the statutory reserve above an amount equal to 50% of its paid up share capital. Accordingly, 4.87 % (2014: 4.59%) of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to statutory reserve.

Distribution of the statutory reserve up to the amount equivalent to 50% of paid up share capital is limited to the amount required to enable the payment of a dividend of up to 5% of paid up share capital in years when accumulated profits are not sufficient for the payment of such dividend.

d) Treasury Shares

	2015	2014
Number of treasury shares	61,638,142	58,377,670
Percentage of issued shares	5.09%	5.06%
Market value in KD 000's	29,582	43,199

e) Dividend

On 27 May 2015, the shareholders at the annual general assembly of the Parent Company, approved the consolidated financial statements for the year ended 31 December 2014 and approved a cash dividend of 35 fils per share (2013: 40 fils per share) amounting to KD 38,340 thousand and bonus shares at 5% (equivalent to 5 shares per 100 shares held) (2014: 5%).

17- SHARE CAPITAL, RESERVES AND DIVIDEND (continued)

f) Other comprehensive income

The disaggregation of changes of other comprehensive income by each type of reserve in equity is shown below:

	Foreign currency translation reserve	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Non-controlling interests*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
2015:						
Financial assets available for sale:						
- Net changes in fair value of financial assets available for sale	-	-	1,097	-	-	1,097
Loss on hedge of net investments (Note 19)	-	(568)	-	-	-	(568)
Loss on cash flow hedge (Note 25)	-	2,806	-	-	-	2,806
Foreign currency translation adjustments	1,801	-	-	-	2,443	4,244
Re-measurement losses on defined benefit plans (Note 18)	-	-	-	(2,766)	-	(2,766)
	1,801	2,238	1,097	(2,766)	2,443	4,813

	Foreign currency translation reserve	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Non-controlling interests*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
2014:						
Financial assets available for sale:						
- Net changes in fair value of financial assets available for sale	-	-	(79)	-	-	(79)
- Transferred to consolidated income statement on impairment	-	-	196	-	-	196
Loss on hedge of net investments (Note 19)	-	(563)	-	-	-	(563)
Loss on cash flow hedge (Note 25)	-	(2,810)	-	-	-	(2,810)
Foreign currency translation adjustments	10,136	-	-	-	450	10,586
Re-measurement losses on defined benefit plans (Note 18)	-	-	-	(5,581)	-	(5,581)
	10,136	(3,373)	117	(5,581)	450	1,749

18- PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2015	*2014*
	KD 000's	*KD 000's*
Defined benefit plans	25,872	24,180
Other benefit plans	15,422	12,758
As at 31 December	41,294	36,938

The following tables summarise the movement in the provision for employees' end of service benefits recognised in the consolidated statement of financial position:

	2015	*2014*
	KD 000's	*KD 000's*
As at 1 January	36,938	32,481
Provided during the year	9,597	9,509
Paid during the year	(7,324)	(9,865)
Actuarial loss in respect of defined benefit plans	2,766	5,581
Others (including exchange differences)	(683)	(768)
As at 31 December	41,294	36,938

18- PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

The Group has assumed responsibility for defined benefit plans for the employees of subsidiaries acquired. The plans are governed by the employment laws of the respective countries. The level of benefits provided depends on the length of employee service and salary at the retirement age, and require contributions to be made to separately administered funds.

Changes in defined benefit obligation and fair value of plan assets are as follows:

2015		*Pension cost charged to profit or loss*				*Re-measurement gain (losses) in other comprehensive income*							
	1 January 2015 KD 000's	*Service cost KD 000's*	*Net interest KD 000's*	*Sub-total KD 000's*	*Benefits paid KD 000's*	*Return on plan assets* KD 000's*	*Actuarial changes on demo-graphic as-sumptions KD 000's*	*Actuarial changes on financial assumptions KD 000's*	*Experience adjustments KD 000's*	*Sub-total KD 000's*	*Contributi-ons by employer KD 000's*	*Others (including exchange differences) KD 000's*	*31 December 2015 KD 000's*
Defined benefit obligation	(116,388)	(1,474)	(2,449)	(3,923)	7,515	-	(377)	317	(2,904)	(2,964)	-	(1,038)	(116,798)
Fair value of plan assets	92,208	-	1,994	1,994	(6,953)	198	-	-	-	198	2,145	1,334	90,926
Net benefit obligation	(24,180)	(1,474)	(455)	(1,929)	562	198	(377)	317	(2,904)	(2,766)	2,145	296	(25,872)

2014		*Pension cost charged to profit or loss*				*Re-measurement gain (losses) in other comprehensive income*							
	1 January 2014 KD 000's	*Service cost KD 000's*	*Net interest KD 000's*	*Sub-total KD 000's*	*Benefits paid KD 000's*	*Return on plan assets* KD 000's*	*Actuarial changes on demo-graphic as-sumptions KD 000's*	*Actuarial changes on financial assumptions KD 000's*	*Experience adjustments KD 000's*	*Sub-total KD 000's*	*Contributi-ons by employer KD 000's*	*Others (including exchange differences) KD 000's*	*31 December 2014 KD 000's*
Defined benefit obligation	(111,471)	(1,133)	(3,489)	(4,622)	5,305	-	566	(14,220)	3,345	(10,309)	-	4,709	(116,388)
Fair value of plan assets	90,275	-	2,800	2,800	(4,740)	4,728	-	-	-	4,728	3,251	(4,106)	92,208
Net benefit obligation	(21,196)	(1,133)	(689)	(1,822)	565	4,728	566	(14,220)	3,345	(5,581)	3,251	603	(24,180)

* excluding amount included in net interest.

18- PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

The actual return on plan assets for the year ended 31 December 2015 was KD 2,193 thousand (2014: KD 7,527 thousand).

The major categories of the total plan assets at fair value are, as follows:

	2015 KD 000's	2014 KD 000's
Quoted investments		
- Equity	38,709	37,431
- Bonds	26,331	28,497
Unquoted investments		
- Real Estate	14,854	14,162
- Insurance Policies	7,307	9,025
- Others	3,726	3,093
	90,927	92,208

The principal actuarial assumptions used for the plan referred to above, which forms the most significant component of the liability for employees' end of service benefits, are as follows:

	2015	2014
Discount rate at 31 December	2.64%	2.53%
Expected rate of increase of employee remuneration	2.28%	2.32%
Future pension increase	1.40%	1.48%
Life expectation for pensioners at the age of 65 (years)	23	22

A quantitative sensitivity analysis for significant assumption as at 31 December 2015 and 31 December 2014 is as shown below. The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

	Impact on the net defined benefit obligations	
	2015 KD 000's	2014 KD 000's
Discount rate		
- 1% increase	(11,307)	(15,405)
- 1% decrease	18,653	18,887
Expected rate of increase of employee remuneration		
- 1% increase	522	630
- 1% decrease	(554)	(658)
Future pension cost increase		
- 1% increase	13,309	13,731
- 1% decrease	(5,755)	(6,437)
Life expectancy		
- increase by 1 year	4,766	3,779
- decrease by 1 year	(4,796)	(3,814)

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

	2015 KD 000's	2014 KD 000's
Within the next 12 months	2,647	2,704
Between 2 and 5 years	9,938	10,347
Between 5 and 10 years	12,250	13,364
Beyond 10 years	14,870	28,634
	39,705	55,049

The average duration of the defined benefit plan obligation at the end of the reporting period is 14 years (2014: 14 years).

19- INTEREST BEARING LOANS

	2015 KD 000's	2014 KD 000's
Committed Term Loan obtained from local bank and its repayable in annual instalments commencing from December 2011	16,384	15,816
Committed Term Loan obtained from local bank in December 2012 and is repayable in annual instalments commencing from April 2013	19,000	22,000
Other loans	46,047	35,505
	81,431	73,321

Committed facility

A committed borrowing facility is one in which the lender is legally obliged to provide the funds subject to the Group complying with the terms of the loan facility agreement. A commitment fee is usually charged to the Group on any undrawn part of the facility.

Uncommitted facility

An uncommitted borrowing facility is one in which the lender is not legally obliged to provide the funds and the facility is therefore repayable on demand.

Floating interest rate loans amounting to KD 57,106 thousand (2014: KD 69,467 thousand) carry margin ranging from 0.75 % to 2% per annum (2014: 0.3% to 4% per annum) over the benchmark rates.

The following table shows the current and non-current portions (analysed by currency) of the Group's loan obligations:

	Current portion KD 000's	Non-current Portion KD 000's	Total KD 000's
Kuwaiti Dinars	6,063	15,500	21,563
US Dollars	20,941	23,680	44,621
Hong Kong Dollar	6,830	-	6,830
Chinese Yuan	2,508	977	3,485
Australian Dollars	2,055	-	2,055
Euro	1,653	-	1,653
Others	1,143	81	1,224
At 31 December 2015	41,193	40,238	81,431
At 31 December 2014	47,117	26,204	73,321

Included in interest bearing loans are loans amounting to KD 37,122 thousand (2014: KD 24,993 thousand) which are held by subsidiaries in the Group. Trade receivables and certain other assets of the respective subsidiaries are pledged as collateral against these loans. Also included in interest bearing loans is a loan amounting to KD 19,000 thousand (2014: KD 22,000 thousand) which is secured by a pledge of shares of a subsidiary.

Hedge of net investments in foreign operations

Included in interest bearing loans at 31 December 2015 are loans denominated in US$ 54,000 thousand (hedging instrument), which have been designated as a hedge of the net investments in the overseas subsidiaries (with functional currency US dollars) and are being used to hedge the Group's exposure to foreign exchange risk on these investments. Gains or losses on the retranslation of interest bearings loans are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in these subsidiaries. During the year, foreign exchange loss arising on translation of the hedging instrument amounting to KD 568 thousand (2014: KD 563 thousand) was taken to other comprehensive income (hedging reserve).

20- OTHER NON-CURRENT LIABILITIES

	2015 KD 000's	2014 KD 000's
Non – current portion of lease obligations	3,528	4,743
Amounts due to related parties (Note 27)	6,253	16,337
Other liabilities	7,324	8,989
	17,105	30,069

21- TRADE AND OTHER PAYABLES

	2015 KD 000's	2014 KD 000's
Trade payables	188,927	194,779
Accrued expenses	90,747	97,197
Accrued employee related expenses	39,618	36,847
NLST payable	15,009	13,709
Taxation on overseas subsidiaries	4,888	5,776
Zakat payable	5,322	5,044
KFAS payable	1,166	1,284
Short term portion of lease obligations	529	527
Amounts due to related parties (Note 27)	287	219
Directors' remuneration	140	140
Other liabilities	36,580	37,343
	383,213	392,865

The entire trade payables are of short term nature, non- interest bearing and normally settled on 30-60 day terms. The carrying amount of the liabilities largely corresponds to their fair values.

22- GENERAL AND ADMINISTRATIVE EXPENSES

	2015 KD 000's	2014 KD 000's
Salaries	174,838	171,585
Employee benefits	19,854	17,972
Rent	27,411	27,113
Professional fees	28,957	27,517
Repairs and maintenance	18,651	17,390
Facilities management	9,679	8,750
Communication	6,267	6,535
Travel	6,802	6,598
Insurance	4,367	4,010
Office supplies	2,569	2,568
Restructuring expenses	1,242	1,313
Provision for impairment of trade receivables (Note 14)	5,184	5,593
Bank charges	1,252	1,116
Advertising	1,488	989
Other expenses	12,270	16,597
	320,831	315,646

23- TAXATION

	2015 KD 000's	2014 KD 000's
NLST	1,451	1,330
Contribution to KFAS	550	505
Zakat	580	532
Taxation on overseas subsidiaries	5,823	7,648
	8,404	10,015

Deferred tax arising on overseas locations is not material to the consolidated financial statements.

24- BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	2015 KD 000's	2014 KD 000's (Restated)
Profit for the year attributable to equity holders of the Parent Company	53,387	50,838
	Shares	Shares
Weighted average number of paid up shares	1,211,844,344	1,211,844,344
Weighted average number of treasury shares	(61,504,109)	(61,302,142)
Weighted average number of outstanding shares	1,150,340,235	1,150,542,202
Basic and diluted earnings per share - attributable to equity holders of the Parent Company	46.41 fils	44.19 fils

As there are no dilutive instruments outstanding, basic and diluted earning per share are identical. Basic and diluted earnings per share for the comparative period presented have been restated to reflect the issue of bonus shares during the year (Note 17).

25- DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments that derive their value with reference to the underlying interest rate, foreign exchange rate or other indices. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments. The Group deals in the following derivative instruments to manage the interest rate risk and foreign exchange positions.

Derivatives held for trading

Derivatives used for hedging purpose but which do not meet the qualifying criteria for hedge accounting are classified as 'derivatives held for trading'.

Forward foreign exchange contracts

Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future date to manage the foreign currency positions.

Interest rate swaps

Interest rate swaps are contractual agreements between two counter-parties to exchange interest payments on a defined principal amount for a fixed period of time in order to manage the interest rate risk on the interest bearing assets and liabilities. During the year, an interest rate swap agreement was terminated and the Group recorded a gain of KD 2,806 thousand which was recognized in the other comprehensive income.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts analysed by the terms of maturity. The notional amount, recorded gross, is the amount of a derivative's underlying amount and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

				Notional amounts by term to maturity	
	Positive fair value	*Negative fair value*	*Notional amount*	*Within one year*	*1 – 5 years*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
2015					
Derivatives held for trading:					
Forward foreign exchange contracts	6	-	6,473	6,473	-
2014					
Derivatives held for trading:					
Forward foreign exchange contracts	25	-	7,482	7,482	-
Derivative held as cash flow hedges:					
Interest rate swaps	-	(2,810)	38,195	4,792	33,403

26- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2015 KD 000's	2014 KD 000's
Letters of guarantee	109,455	113,042
Operating lease commitments	32,296	32,564
Capital commitments	12,539	4,155
	154,290	149,761

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2015 KD 000's	2014 KD 000's
Within one year	8,854	10,632
After one year but not more than five years	18,132	19,575
More than five years	5,310	2,357
	32,296	32,564

Included in letters of guarantee are bank guarantees of KD 31,405 thousand (2014: KD 31,405 thousand), provided by a bank on behalf of the subsidiary, Global Clearing House Systems K.S.C. (Closed), to the General Administration of Customs in the State of Kuwait. These guarantees are issued by the bank on a non-recourse basis to the Group.

Legal claims

(a) Freight forwarding business – investigation

On 26 November 2009, the Italian Competition Authority (ICA) opened an investigation into the activities of some 20 freight forwarding companies including Agility's subsidiary in Italy. The ICA issued its final decision on 15 September 2011, imposing a total fine of approximately KD 55,000 (Euro 139,000) on Agility. This decision is being appealed by other third parties before the court which is yet to pronounce its decision.

In August 2010, the Brazilian competition authority ("CADE") opened an investigation into the activities of the freight forwarding industry which included the Parent Company. The investigation is currently ongoing. The Brazilian competition authority purported to serve a notice on the Parent Company through its Brazilian subsidiary. The Parent Company has to date rejected the validity of service of the notice. However, CADE stated in public announcement that it considers the notice to the Parent Company duly served. The Parent Company filed proceedings before the Brazilian court on 18 February 2014 requesting that the service of process be declared null. The Court issued a ruling rejecting this request and the Parent Company appealed against this ruling on 2 June 2015.

As at 31 December 2015, due to inherent uncertainty surrounding these investigations, the Group's management (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigations and in view of the difficulty in quantifying any additional potential liabilities in this regard, no provision is recorded in the consolidated financial statements.

(b) Guarantee encashment

A resolution was issued by the General Administration of Customs for Kuwait ("GAC") to cash a portion, amounting to KD 10,092 thousand of the bank guarantee submitted by Global Clearing House Systems K.S.C. (Closed) (the "Company"), a subsidiary of the Parent Company, in favour of GAC in relation to performance of a contract. Pursuant to this resolution, GAC called the above guarantee during the year ended 31 December 2007.

The Company appealed the above resolution at the Court of First Instance and the latter issued its judgment in favour of the Company and ordered GAC to pay an amount of KD 58,927 thousand as compensation against the non-performance of its obligations under the contract, and KD 9,138 thousand towards refunding of the guarantee encashed earlier, together with an interest of 7% per annum on these amounts to be calculated from the date the judgment becomes final.

26- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(b) Guarantee encashment (continued)

The Company appealed the judgment before the Court of Appeal requesting an increase in compensation. GAC also filed an appeal No. 1955 / 2014 administrative 4 before the Court of Appeal. On 13 September 2015, the Court of Appeal pronounced its judgement affirming the decision of the Court of First Instance. Both the Company and GAC appealed against this ruling before the Kuwait Court of Cassation which is yet to pronounce its judgement.

The Company also filed a claim against GAC and requested, under one of its demands, the Court of Appeal to prohibit GAC from encashing the remaining bank guarantees offered by the Company. The Court of Appeal issued its judgment in favour of the Company in blocking the encashment of the bank guarantees in the possession of GAC

In addition to the above, there are legal disputes between the Company and GAC. Both the parties have filed various claims currently pending in the courts. The Group's in-house counsel believes that these matters will not have a material adverse effect on the Group's consolidated financial statements.

(c) KGL Litigation

During the year ended 31 December 2012, the Parent Company and certain of its subsidiaries were named as defendants in civil lawsuits filed by Kuwait and Gulf Link Transport Company ("KGL") and its affiliates in three separate jurisdictions in the United States for certain alleged defamation and interference with KGL's contracts with the US Government by an alleged former employee of the Parent Company. The Parent Company filed motions to dismiss the complaints and KGL also filed amended complaints. As a result, the Court in two of the jurisdictions granted the Parent Company's motion to dismiss the complaint. The ultimate outcome of the litigation in the other jurisdiction is uncertain at this time.

In addition to the above, the Group is involved in various incidental claims and legal proceedings matters. The legal counsel of the Group believes that these matters will not have a material adverse effect on the accompanying consolidated financial statements.

26- RELATED PARTY TRANSACTION

Related parties represent shareholders, directors and key management personnel of the Group, and companies which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions and balances with related parties are as follows:

2015	*Major shareholders KD 000's*	*Other related parties KD 000's*	*Total KD 000's*
Consolidated statement of income			
Revenues	-	916	916
Interest income	290	3,430	3,720
General and administrative expenses	(67)	(383)	(450)
Miscellaneous income	2,000	524	2,524
Finance costs	-	(629)	(629)
Consolidated statement of financial position:			
Financial assets available for sale	8,449	-	8,449
Amounts due from related parties	-	535	535
Loan to a related party	9,486	-	9,486
Loan to an associate (Note 11)	-	35,258	35,258
Amounts due to related parties (Notes 20 and 21)	287	6,253	6,540

26- RELATED PARTY TRANSACTION (continued)

2014	Major Shareholders KD 000's	Other related parties KD 000's	Total KD 000's
Consolidated statement of income			
Revenues	-	998	998
Interest income	-	3,243	3,243
General and administrative expenses	(79)	(55)	(134)
Miscellaneous income		558	558
Finance costs	-	(959)	(959)
Consolidated statement of financial position:			
Advance to a related party (Note 15)	5,000	-	5,000
Amounts due from related parties	-	605	605
Loan to a related party	1,055	-	1,055
Loan to an associate (Note 11)	-	31,109	31,109
Amounts due to related parties (Notes 20 and 21)	219	16,337	16,556

Amounts due from related parties have arisen as a result of transactions made in the ordinary course of the business and are interest free.

Loan to a related party represents amounts advanced by a subsidiary of the Group towards the construction and development of a Commercial Mall in UAE ("Project"). This amount bears annual interest of 8.5% and can be converted to equity in the Project on completion of construction subject to the Project achieving certain operational targets. The Group has contributed KD 8,449 thousand in equity of the Project as of the reporting date which is classified as financial assets available for sale.

A portion of amounts due to related parties carries an interest of 6.5% per annum (2014: 6.5% per annum).

Compensation of key management personnel

The remuneration of directors (executives) and other members of key management during the year were as follows:

	2015 KD 000's	2014 KD 000's
Short-term benefits	3,423	3,161

Short term benefits include discretionary bonus amounting to KD 1,912 thousand (2014: KD 1,547 thousand) awarded to key management personnel.

28- OPERATING SEGMENT INFORMATION

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated statement of income.

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

- Logistics and Related Services;

The Logistics and Related Services segment provides a comprehensive logistics offering to its clients, including freight forwarding, transportation, contract logistics, project logistics and fairs and events logistics.

- Infrastructure

The Infrastructure segment provides other services which include industrial real-estate, airport and airplane ground handling and cleaning services, customs consulting, private equity and waste recycling.

Year ended 31 December 2015	*Logistics and related services*	*Infrastructure*	*Adjustments and eliminations*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
Revenues				
External customers	997,005	306,454	-	1,303,459
Inter-segment	298	7,888	(8,186)	-
Total revenues	997,303	314,342	(8,186)	1,303,459
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	27,353	72,474	-	99,827
Depreciation				(27,405)
Amortisation				(3,789)
Profit before interest, taxation and Directors' remuneration (EBIT)				68,633
Interest income				4,605
Finance costs				(5,704)
Profit before taxation and Directors' remuneration				67,534
Taxation and Directors' remuneration				(8,544)
Profit for the year				58,990
Total assets	688,770	1,036,692	(263,057)	1,462,405
Total liabilities	625,635	730,706	(825,411)	530,930
Other disclosures:				
Goodwill (Note 9)	223,769	20,874	-	244,643
Intangible assets (Note 8)	6,828	27,167	-	33,995
Capital expenditure	(10,477)	(42,201)	-	(52,834)
Change in fair value of investment properties	-	2,369	-	2,369

28- OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014	*Logistics and related services* *KD 000's*	*Infrastructure* *KD 000's*	*Adjustments and eliminations* *KD 000's*	*Total* *KD 000's*
Revenues				
External customers	1,061,498	295,849	-	1,357,347
Inter-segment	370	7,022	(7,392)	-
Total revenues	1,061,868	302,871	(7,392)	1,357,347
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	18,861	80,416	697	99,974
Depreciation				(25,916)
Amortisation				(3,641)
Profit before interest, taxation and Directors' remuneration (EBIT)				70,417
Interest income				4,885
Finance costs				(6,800)
Profit before taxation and Directors' remuneration				68,502
Taxation and Directors' remuneration				(10,155)
Profit for the year				58,347
Total assets	713,691	924,278	(185,607)	1,452,362
Total liabilities	816,499	637,617	(912,865)	541,251
Other disclosures:				
Goodwill (Note 9)	225,012	21,878	-	246,890
Intangible assets (Note 8)	7,840	25,859	-	33,699
Capital expenditure	(9,324)	(27,021)	-	(36,345)
Impairment of financial assets available for sale	-	(196)	-	(196)
Change in fair value of investment properties	-	16,629	-	16,629
Unrealised gain on financial assets at fair value through profit or loss	-	925	-	925

Inter-segment transactions and balances are eliminated upon consolidation and reflected in the "adjustments and eliminations" column. The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Capital expenditure consists of additions to property, plant and equipment, projects in progress and investment properties.

28- OPERATING SEGMENT INFORMATION (continued)

Geographic information

The following tables present information regarding the Group's geographical segments:

Revenue from external customers	*2015* *KD 000's*	*2014* *KD 000's*
Middle East	314,107	333,579
Europe	332,026	378,924
Asia	335,883	392,318
America	218,982	191,200
Africa	102,461	61,326
	1,303,459	1,357,347

The revenue information above is based on the location of the subsidiaries.

Non-current assets	*2015* *KD 000's*	*2014* *KD 000's*
Middle-east	520,479	485,468
Europe	44,869	45,085
Asia	176,054	179,310
America	27,136	29,911
Africa	30,821	19,283
Unallocated	75,221	66,379
	874,580	825,436

Non-current assets for this purpose consist of property, plant and equipment, projects in progress, investment properties, intangible assets, goodwill, other non-current assets and loan to an associate.

29- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to risks from its use of financial instruments and these risks are 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. The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group also has dividend payables. The Group's financial assets comprise trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds financial assets at fair value through profit or loss, financial assets available for sale, loan to an associate and enters into derivative transactions.

The Board of Directors of the Parent Company reviews and agrees policies for managing risks. The Group's senior management provides assurance to the Group's Board of Directors of the Parent Company that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in building shareholder value are outlined below.

29- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk mitigation

As part of its overall risk management, the Group uses as considered appropriate, derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

Excessive risk concentration

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 geographical location.

In order to avoid excessive concentrations and the risk arising there from, the Group monitors them on an ongoing basis. Identified concentrations of credit risks are controlled and managed accordingly. There are no significant concentrations of credit risk identified.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk with the latter subdivided into interest rate risk, foreign currency risk and equity price risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group is also exposed to credit risk on its loan to an associate and loan to a related party.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored and followed up.

Credit risk from balances with banks and financial institutions is managed by Group's treasury in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2015 and 2014 is the carrying amounts at the reporting date.

Gross maximum exposure to credit risk

The table below shows the gross maximum exposure to credit risk across financial assets before credit risk mitigation:

	2015	*2014*
	KD 000's	*KD 000's*
Bank balances	114,054	133,597
Trade receivables	239,738	270,602
Loan to an associate*	35,259	31,109
Other receivables	53,258	38,904
	442,308	474,212

*The Group management is unable to determine the recoverability of the loan to an associate (Note 11).

29- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

Financial liabilities	*Less than 1 month KD 000's*	*1 to 3 months KD 000's*	*3 to 12 months KD 000's*	*1 to 5 years KD 000's*	*Total KD 000's*
2015					
Interest bearing loans	11,443	7,719	21,071	55,343	95,576
Trade and other payables	31,934	63,868	287,411	-	383,213
Other non-current liabilities	-	-	-	17,105	17,105
Total financial liabilities	43,377	71,587	308,482	72,448	495,894
2014					
Interest bearing loans	16,607	5,032	28,509	29,014	79,162
Trade and other payables	32,683	65,366	294,816	-	392,865
Other non-current liabilities	-	-	-	30,069	30,069
Total financial liabilities	49,290	70,398	323,325	59,083	502,096

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and other price risks, such as equity risk. Financial instruments affected by market risk include bank balances and trade receivables in foreign currencies, deposits, financial assets at fair value through profit or loss, financial assets available for sale, loan to an associate, interest bearing loans, trade payables in foreign currencies and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as at 31 December 2015 and 2014.

The Group manages market risk on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Interest rate risk

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group also manages its interest rate risk by entering into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

29- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate sensitivity

Based on the Group's financial assets and liabilities held at the year end, an assumed 50 basis points increase in interest rate, with all other variables held constant, would equally impact the Group's profit before taxation and Directors' remuneration as follows.

	50 basis points movement Effect on consolidated statement of income	
	2015	*2014*
	KD 000's	*KD 000's*
US Dollars	±387	±359

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a currency other than Kuwaiti Dinar) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk by use of derivative financial instruments and ensures that the net exposure is kept to an acceptable level. The Group has also designated certain interest bearing loans as hedging instruments against its net investment in foreign operations (Note 19).

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollars / Kuwaiti Dinar exchange rate, with all other variables held constant, of the Group's profit before taxation and Directors' remuneration (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Group's equity (due to changes in the fair value of interest bearing loans designated as hedging instruments for net investments in foreign operations). The Group's exposure to foreign currency for all other currencies is not material.

	Change in currency rate by 1 %			
	Effect on other comprehensive income		*Effect on consolidated statement of income*	
	2015	*2014*	*2015*	*2014*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
US Dollars	±2,940	±2,635	±23	±29

Equity price risk

Equity price risk is the risk that fair values of equities change as the result of changes in level of equity indices and the value of individual stocks.

Quoted Securities:

The Group is not exposed to any significant equity price risk as there are no material investments held in quoted equity securities classified as 'financial assets at fair value through profit or loss'.

Unquoted securities:

Sensitivity analysis relating to Group's unquoted securities (financial assets available for sale and financial assets at fair value through profit or loss) is included in Note 30.

30- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 13) are not materially different from their carrying values.

Determination of fair value and fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: quoted (unadjusted) prices in an active market for identical assets and 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; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total fair value*
	KD'000	*KD'00*	*KD'000*	*KD'000*
2015				
Financial assets at fair value through profit or loss:				
Investment in an associate	-	-	108,921	108,921
Quoted equity securities	36	-	-	36
	36	-	108,921	108,957
Financial assets available for sale:				
Unquoted equity securities	-	-	13,170	13,170
Derivative:				
Forward foreign exchange contracts – US Dollars	-	6	-	6
	36	6	122,091	122,133
2014				
Financial assets at fair value through profit or loss:				
Investment in an associate	-	-	105,148	105,148
Quoted equity securities	36	-	-	36
	36	-	105,148	105,184
Financial assets available for sale:				
Unquoted equity securities	-		3,650	3,650
Derivative:				
Forward foreign exchange contracts – US Dollars	-	25	-	25
	36	25	108,798	108,859

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

There were no transfers between the hierarchies during 2015 and 2014.

30- FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The movement in Level 3 fair value hierarchy during the year is given below:

	At 1 January 2015 KD	Gain / (loss) recorded in the consolidated statement of income KD	Gain / (loss) recorded in consolidated statement of comprehensive income KD	Others including net purchases (sales) KD	At 31 December 2015 KD
Assets measured at fair value					
Financial assets at fair value through profit or loss:					
Investment in an associate	105,148	-	3,773	-	108,921
Financial assets available for sale:					
Unquoted equity securities	3,650	-	1,097	8,423	13,170
	108,798	-	4,870	8,423	122,091

	At 1 January 2014 KD	Gain (loss) recorded in the consolidated statement of income KD	Gain / (loss) recorded in consolidated statement of comprehensive income KD	Others including net purchases (sales) KD	At 31 December 2014 KD
Assets measured at fair value					
Financial assets at fair value through profit or loss:					
Investment in an associate	101,401	-	3,747	-	105,148
Financial assets available for sale:					
Unquoted equity securities	2,318	-	117	1,215	3,650
	103,719	-	3,864	1,215	108,798

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

Financial assets at fair value through profit or loss:

The Group's management was unable to determine the fair value of the investment in an associate as at 31 December 2015 due to certain inherent uncertainties and accordingly the investment is carried at its fair value as at 31 December 2013 (Note 11).

Financial assets available for sale:

Fair values of financial assets available for sale are measured based on their latest net asset values provided by the respective fund manager.

31- 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 shareholder 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 2015 and 31 December 2014.

The Group includes within net cash, interest bearing loans less bank balances, cash and deposits. Capital includes equity attributable to the equity holders of the Parent Company less the investment revaluation reserve.

	2015	*2014*
	KD 000's	*KD 000's*
Interest bearing loans	81,431	73,321
Bank balances, cash and deposits	(114,054)	(133,597)
Net cash	(32,623)	(60,276)
Equity attributable to the equity holders of the Parent Company	907,026	889,070
Less: Investment revaluation reserve	(1,294)	(197)
Capital	905,732	888,873

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