

Annual Report 2013



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Financial Highlights

Revenues (KD Mln)

2012: 1,418

2011: 1,331

2013

1,376

EBITDA (KD Mln)

2012: 79

2011: 58

2013

94

Net Income (KD Mln)

2012: 34

2011: 27

2013

46

EPS (Fils)

2012: 32.21

2011: 26.94

2013

44.28

Total Assets (KD Mln)

2012: 1,429

2011: 1,400

2013

1,412

Share holder's Equity (KD Mln)

2012: K.D 890

2011: K.D 899

2013

897

Net Cash (KD Mln)

2012: 64

2011: 57

2013

82



Board of Directors

Henadi Anwar Al-Saleh,
Chairman

Tarek Abdulaziz Sultan Al-Essa
Vice Chairman

Ayman Bader Sultan
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

“We promised our growth, and we

shareholders sustainable are delivering on that promise”

Vice Chairman

and CEO's Message



Dear Shareholders,

Our results show that we are continuing to gain strong ground. We continue to grow along two main fronts. One, by improving performance in the core Global Integrated Logistics (GIL) business through technology-driven transformation, ongoing focus on global accounts and field sales, and maintaining financial discipline. Two, by growing the individual companies within our Infrastructure portfolio, expanding their geographic reach, and diversifying their customer base.

Our diversified business model also allows us to hedge risk and take advantage of niche market segments in emerging markets, while making steady progress in improving our underlying business.

Full year results 2013

For the full year ended December 31, 2013, net profits stand at KD 46.2 million, or 44.28 fils per share; an increase of 37% over the full year of 2012. Revenues and EBITDA were KD 1.4 billion and KD 94.0 million, respectively.

The Board of Directors proposed a dividend distribution of 40% cash and 5% bonus shares for fiscal year 2013.

Agility's Core Business: Global Integrated Logistics

Revenue for Agility Global Integrated Logistics (GIL) for the full year 2013 was KD 1.13 billion, a decrease of 4.5% from FY 2012. Revenues declined due to underlying challenges in the freight forwarding industry, including difficult air freight conditions and falling ocean freight rates despite increased volume. That said, GIL improved its net revenues margin from 21% in 2012 to 22% in 2013 by driving productivity improvement in its business.

Going into 2014, GIL's strategic priorities remain clear and consistent. GIL will continue to strengthen its sales channel strategy around global and strategic accounts and field sales, develop its trade lane program, and further sharpen its growth strategy in Project Logistics business. GIL will build on the momentum it has gained in driving productivity improvements through technology-driven transformation, and continue to maintain financial discipline and a streamlined administrative structure. Throughout, GIL will develop its people to lead against these objectives, and drive a culture of accountability across all parts of our business. The economic outlook may be uncertain, but GIL will continue to focus on what we can control.

Agility's Infrastructure Group

Agility's Infrastructure companies contributed KD 257.1 million to full year 2013 revenue, a 6% increase over 2012.

Each Infrastructure business is different; with its own brand, management, and way forward. Agility Real Estate, the largest contributor to the Infrastructure group, grew its revenues by 16% in 2013, compared to 2012. Tristar, an integrated liquid fuels logistics company, achieved a 12.5% growth in 2013. National Aviation Services (NAS) and United Project for Aviation Services (UPAC) jointly achieved a 14% revenue growth in 2013.

Significant contract wins achieved by the Infrastructure companies in 2013 included GCC Services' USD 320 million contract to support peacekeeping operations in Darfur, NAS's USD 200 million contract to manage three airports in Afghanistan, and Tristar's USD 200 million contract to support a global oil major.

Our Infrastructure companies are important to our overall

growth strategy. They are strong contributors to financial performance in their own right, and they allow us to take advantage of niche market segments in emerging markets, where the risks and rewards tend to be higher. We have seen steady year on year growth in our portfolio of companies, and we are excited by the potential of other investments we have made, like KOREK, one of three telecommunication providers in Iraq, and our investment in Gulf Warehousing Company (GWC), the largest logistics player in Qatar.

Our Culture and Giving Back

At Agility, we have a long-standing commitment to acting responsibly and giving back. We have now invested in more than 950 community projects in 75 countries, reaching more than 1 million people in need in the last decade. In 2013, we also continued with our efforts to support our humanitarian partners after major natural disasters. After a super typhoon in the Philippines, we donated trucking and warehousing support, as well as time of our logistics experts, to the relief efforts. We continue to make strides in our health and safety initiatives, as well as on working with customers to improve efficiencies in the supply chain that drive down cost and carbon emissions.

Forward View

We promised our shareholders sustainable growth, and we are delivering on that promise. Going forward, we will continue to drive change in the Global Integrated Logistics (GIL) business so that it becomes a truly integrated network that performs on par with its peers. We will continue to develop and grow our Infrastructure portfolio of companies. And we will stay open to “opportunistic” acquisitions of high-performing, cash flow-positive businesses in emerging markets that realize immediate financial value for the company.

We have come a long way as “Agility” in the seven years since we took that name and developed the brand. We look, feel, and are, very different from our competition. We are the only top industry player that got started outside of Western Europe or the U.S. Our heritage and coming-of-age was in emerging markets.. Our culture is unique. We are open to opportunities in parts of the world where others are wary to operate, and we are willing to invest our capital in order to realize gains for our customers and our shareholders. We empower local management and encourage on-the-ground decision making that is fast and responsive to customer needs. We understand the power of relationships. We believe in living personal service, for our customers and for our communities. And we are no strangers to change. We acquired more than 40 companies in less than a decade, and pivoted sharply to reshape our business after the global recession in 2008.

As always, I would like to thank our shareholders, customers and employees for their continuous support.

Tarek Abdulaziz Sultan Al Essa
Vice Chairman and CEO



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 2013, and the consolidated income statement, and the consolidated statements of comprehensive income, cash flows and 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 Group'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 further discussed in Note 28 (c) to the consolidated financial statements, during the year ended 31 December 2006, a performance guarantee amounting to KD 10.1 million was called by a counterparty in relation to non performance of obligations under a contract operated by a subsidiary of the Parent Company and encashed during the year ended 31 December 2007. The amount was not expensed in the consolidated financial statements in respect of the year ended 31 December 2006, which in our opinion, is not in accordance with International Financial Reporting Standards. We have qualified our audit opinions and review conclusions in this regard on the consolidated financial statements since 31 December 2006. In 2009, the expert department of the Ministry of Justice issued a report on this matter which stated that the verdict should be issued in favour of the subsidiary in respect of most of the issues arising from the case. Pending final court ruling on this matter, in our opinion, other current assets should be decreased by KD 10.1 million and retained earnings attributable to the equity holders of the Parent Company should be decreased by KD 6.1 million and non-controlling interests should be decreased by KD 4.0 million.

Qualified Opinion

In our opinion, except for the effect 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 2013 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 a civil qui tam lawsuit against the Parent Company under the False Claims Act. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings. 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 Group is also engaged in settlement discussions with the US Department of Justice. 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 28 (a) to the consolidated financial statements which describes the contingencies relating to the investigations into the freight forwarding business.

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 we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended and by the Parent Company's Memorandum of Incorporation and Articles of Association and, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended or the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2013 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.

23 March 2014
Kuwait

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	31 December 2013 KD 000's	31 December 2012 KD 000's (Restated)*	1 January 2012 KD 000's (Restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	6	170,789	189,729	202,031
Projects in progress	7	25,101	18,898	21,098
Investment properties	8	213,642	214,590	218,114
Intangible assets	9	37,156	40,647	8,820
Goodwill	10	244,360	248,118	241,833
Financial assets at fair value through profit or loss	12	129,211	119,506	100,701
Financial assets available for sale	13	22,638	24,055	31,995
Other non-current assets		43,866	34,934	41,194
Loan to an associate	12	28,246	28,138	27,837
Total non-current assets		915,009	918,615	893,623
Current assets				
Inventories	14	15,125	13,792	10,661
Trade receivables	15	256,185	274,062	279,284
Other current assets	16	73,207	78,827	94,027
Bank balances and cash	17	152,736	143,458	119,695
Total current assets		497,253	510,139	503,667
TOTAL ASSETS		1,412,262	1,428,754	1,397,290
EQUITY AND LIABILITIES				
EQUITY				
Share capital	18	109,918	104,684	104,684
Share premium	18	152,650	152,650	152,650
Statutory reserve	18	54,959	52,342	52,342
Treasury shares	18	(45,038)	(45,038)	(41,741)
Treasury shares reserve		44,366	44,366	44,366
Foreign currency translation reserve	18	(27,070)	(18,442)	(20,623)
Hedging reserve	18	(17,090)	(17,037)	(16,926)
Investment revaluation reserve	18	80	15	15
Other reserves	18	(24,818)	(19,553)	(16,213)
Retained earnings		629,569	621,031	617,152
Equity attributable to equity holders of the Parent Company		877,526	875,018	875,706
Non-controlling interests	5	19,109	14,860	7,319
Total equity		896,635	889,878	883,025
LIABILITIES				
Non-current liabilities				
Interest bearing loans	19	36,957	42,678	24,484
Provision for employees' end of service benefits	20	32,481	36,039	31,456
Other non-current liabilities	21	29,053	34,000	35,078
Total non-current liabilities		98,491	112,717	91,018
Current liabilities				
Trade and other payables	22	376,266	381,759	377,379
Interest bearing loans	19	33,306	36,654	38,339
Dividends payable		7,564	7,746	7,529
Total current liabilities		417,136	426,159	423,247
Total liabilities		515,627	538,876	514,265
TOTAL EQUITY AND LIABILITIES		1,412,262	1,428,754	1,397,290

Henadi Al Saleh
Chairman

Tarek Abdul Aziz Sultan
Vice Chairman and CEO

* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and 31 December 2011 and reflect adjustments made as detailed in Note 4.

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013 KD 000's	2012 KD 000's (Restated)*
Revenues			
Logistics and freight forwarding revenues		1,263,469	1,294,959
Rental revenues		42,034	34,693
Other services		70,189	88,098
<hr/>			
Total revenues		1,375,692	1,417,750
Cost of revenues		(989,396)	(1,047,658)
Net revenues		386,296	370,092
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General and administrative expenses	23	(118,707)	(116,262)
Salaries and employee benefits	24	(186,197)	(184,423)
Unrealised gain on financial assets at fair value through profit or loss	12	9,334	15,641
Change in fair value of investment properties	8	417	2,250
Gain on sale of an investment property		300	-
Gain on bargain purchase of investment in a subsidiary		-	4,384
Impairment of financial assets available for sale	13	(2,765)	-
Impairment of investment properties	8	-	(8,823)
Realised loss on sale of financial assets available for sale		-	(11,234)
Miscellaneous income		5,313	7,217
<hr/>			
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		93,991	78,842
Depreciation	6	(25,796)	(27,843)
Amortisation	9	(3,609)	(2,313)
<hr/>			
Profit before interest, taxation and Directors' remuneration (EBIT)		64,586	48,686
Interest income		5,228	6,328
Finance costs		(6,946)	(6,770)
<hr/>			
Profit before taxation and Directors' remuneration		62,868	48,244
Taxation	25	(9,668)	(8,053)
Directors' remuneration		(151)	(153)
<hr/>			
PROFIT FOR THE YEAR		53,049	40,038
<hr/>			
Attributable to:			
Equity holders of the Parent Company		46,206	33,694
Non-controlling interests		6,843	6,344
<hr/>			
		53,049	40,038
<hr/>			
BASIC AND DILUTED EARNINGS PER SHARE – attributable to equity holders of the Parent Company	26	44.28 fils	32.21 fils

* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 4.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 KD 000's	2012 KD 000's (Restated)*
Profit for the year	53,049	40,038
<hr/>		
Other comprehensive income:		
Items to be reclassified to consolidated income statement in subsequent periods:		
Financial assets available for sale:		
- Net changes in fair value of financial assets available for sale	(2,700)	(11,234)
- Transferred to consolidated income statement on sale	-	11,234
- Transferred to consolidated income statement on impairment	2,765	-
Net loss on hedge of net investments (Note 19)	(53)	(111)
Foreign currency translation adjustments	(11,602)	1,628
<hr/>		
Net other comprehensive (loss) income to be reclassified to consolidated income statement in subsequent periods	(11,590)	1,517
<hr/>		
Item not to be reclassified to consolidated income statement in subsequent periods:		
Re-measurement gains (losses) on defined benefit plans (Note 20)	4,753	(3,340)
<hr/>		
Net other comprehensive income (loss) not to be reclassified to consolidated income statement in subsequent periods	4,753	(3,340)
<hr/>		
Other comprehensive loss	(6,837)	(1,823)
<hr/>		
Total comprehensive income for the year	46,212	38,215
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Attributable to:		
Equity holders of the Parent Company	42,343	32,424
Non-controlling interests	3,869	5,791
<hr/>		
	46,212	38,215
<hr/>		

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The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY																
For the year ended 31 December 2013																
		2013 KD 000's	2012 KD 000's	Attributable to equity holders of the Parent Company										Non- controlling interests	Total equity	
OPERATING ACTIVITIES																
Profit before taxation and Directors' remuneration				62,868	48,244											
Adjustments for:																
	15	2,283	3,896													
	20	9,062	9,117													
		(1,752)	(555)													
	12	(9,334)	(15,641)													
	8	(417)	(2,250)													
		-	(4,384)													
		(300)	-													
	8	-	8,823													
		-	11,234													
	13	2,765	-													
		(5,313)	(7,217)													
	6	25,796	27,843													
	9	3,609	2,313													
		(5,228)	(6,328)													
		6,946	6,770													
Operating profit before changes in working capital				90,985	81,865											
		(1,490)	(3,581)													
		9,465	3,833													
		4,415	17,036													
		(4,242)	(12,587)													
Cash from operations				99,133	86,566											
		(9,845)	(8,226)													
		(165)	(160)													
	20	(8,042)	(6,186)													
Net cash flows from operating activities				81,081	71,994											
INVESTING ACTIVITIES																
		(1,349)	(113)													
	6	(10,542)	(8,668)													
		(10,481)	-													
		7,457	798													
		5,500	-													
	7	(8,232)	(8,449)													
	9	(118)	-													
	8	(3,835)	(3,049)													
		-	(25,454)													
	5	(2,968)	-													
		-	(1,244)													
		-	18,097													
		6,103	5,802													
		387	1,379													
		(22,262)	(304)													
Net cash flows used in investing activities				(40,340)	(21,205)											
FINANCING ACTIVITIES																
		-	(3,297)													
		(13,546)	16,306													
		(5,389)	(6,908)													
		(29,874)	(29,689)													
		(3,913)	(4,728)													
Net cash flows used in financing activities				(52,722)	(28,316)											
Net foreign exchange differences				(1,003)	986											
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS				(12,984)	23,459											
Cash and cash equivalents at 1 January				100,530	77,071											
CASH AND CASH EQUIVALENTS AT 31 DECEMBER				87,546	100,530											
As at 31 December 2012 (restated) Adjustments due to the adoption of IAS 19R (Note 4)																
		104,684	152,650	152,650	52,342	52,342	(45,038)	44,366	(18,442)	(17,037)	15	621,031	875,018	14,860	889,878	
		-	-	-	-	-	-	-	-	-	-	46,206	46,206	6,843	53,049	
		-	-	-	-	-	-	-	(8,628)	(53)	65	-	(3,863)	(2,974)	(6,837)	
		-	-	-	-	-	-	-	(8,628)	(53)	65	46,206	42,343	3,869	46,212	
		-	-	-	-	-	-	-	-	-	-	(29,817)	(29,817)	-	(29,817)	
	5,234	-	-	-	-	-	-	-	-	-	-	(5,234)	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	(3,913)	(3,913)	
		-	-	-	2,617	-	-	-	-	-	-	(2,617)	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	(10,018)	4,293	(5,725)	
As at 31 December 2013 109,918 152,650 152,650 54,959 (45,038) 44,366 (27,070) (17,090) 80 (24,818) 629,569 877,526 19,109 896,635																

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to equity holders of the Parent Company										Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Treasury shares	Treasury shares reserve	Foreign currency translation reserve	Hedging reserve	Investment revaluation reserve	Other reserves	Retained earnings	Sub total	
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
As at 31 December 2011 (as previously reported) Adjustments due to the adoption of IAS 19R (Note 4)	104,684	152,650	52,342	(41,741)	44,366	(20,623)	(16,926)	15	-	617,006	891,773	7,319 899,092
As at 31 December 2011 (restated)* Profit for the year (restated)* Other comprehensive income (loss) (restated)*	104,684	152,650	52,342	(41,741)	44,366	(20,623)	(16,926)	15	(16,213)	617,152	875,706	7,319 883,025
Total comprehensive income (loss) for the year (restated)* Dividends	-	-	-	-	-	-	-	-	-	33,694	33,694	6,344 40,038
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,728) (4,728)
Purchase of treasury shares	-	-	-	(3,297)	-	-	-	-	-	(3,297)	(3,297)	- (3,297)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	3,591 3,591
Issue of share capital by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,887 2,887
As at 31 December 2012 (restated)*	104,684	152,650	52,342	(45,038)	44,366	(18,442)	(17,037)	15	(19,553)	621,031	875,018	14,860 889,878

* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and 31 December 2011 and reflect adjustments made as detailed in Note 4.

1- CORPORATE INFORMATION

Agility Public Warehousing Company K.S.C.P. (the “Parent Company”) is a Kuwaiti shareholding company incorporated in 1979, and listed on Kuwait Stock Exchange and Dubai Stock Exchange. The address of the Parent Company’s Head office is 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 activities of the subsidiaries are explained in Note 5.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 23 March 2014, 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 issued on 26 November 2012 by Decree Law No. 25 of 2012 (the “Companies Law”), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 was published in the official Gazette on 6 October 2013. As per Article three of the Executive Regulations, companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2- SUBSISTENCE PRIME VENDOR AND OTHER CONTRACTS - US INVESTIGATION

During the year ended 31 December 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 civil qui tam lawsuit against the Parent Company under the US False Claims Act. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings. The Parent Company pled not guilty to the indictment. Between February and November 2012, both the 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.

The US Government also attempted to serve on the Parent Company, the indictment and other legal documents through the authorities in Kuwait. The Parent Company, challenged the service process and obtained an appeal judgement whereby such process was declared null and void. In addition the Court of Appeal in Kuwait precluded the US Government from serving the Parent Company and its subsidiaries any legal document in respect of the ongoing litigation in the US. The above ruling will not have any impact on the financial situation of the Group.

While the Parent Company is rigorously defending its case, it is pursuing discussions with the US Government with a view to reaching a fair and reasonable settlement of the current legal cases. However, there is no guarantee that the parties can reach a mutually agreeable settlement.

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

In addition, the US Department of Justice is currently conducting an informal investigation regarding two cost reimbursable US Government contracts in order to ascertain whether reimbursement requests for certain costs incurred by the Parent Company were proper. Furthermore, in relation to one of such contracts, the Parent Company is appealing before the “Armed Services Board of Contracts, Appeals (ASBCA)” a decision made by the contracting officer demanding repayment of approximately KD 23 million from the Parent Company.

During 2011, the US Government collected KD 4.7 million out of the above claim by offsetting payments due on the Group’s other US Government contracts. The Parent Company, on 19 April 2011, also filed an affirmative claim for approximately KD 13 million owed by the US Government under the contract which was denied by the Contracting Officer on 15 December 2011. The Parent Company filed an appeal before the ASBCA and decision on this appeal is currently pending.

Due to 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. The figures in the consolidated financial statements 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”) and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries including special purpose entities. 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
- The Group’s voting rights and potential voting rights

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

Profit or loss and each component of OCI are attributed to the equity holders of the parent 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 assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative foreign currencies translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated income statement
- Reclassifies the parent’s share of components previously recognised in OCI to consolidated income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The results of the subsidiaries acquired or disposed off during the year are included in the consolidated income statement 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 previous year except for the adoption of the following new and amended IASB Standards during the year:

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment)

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by the Group, compared with the requirements that were in IAS 27. The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the entity. The Group controls an investee when it 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. Once control is established, the standard requires the Group to start consolidating the investee from the date the investor obtains control of the investee and cease consolidation when the investor loses control of the investee. The management has concluded based on its assessment that the adoption of this standard does not have any material impact on the financial position or performance of the Group.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 12: Disclosure of Interests in Other Entities

The standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if the Group concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the consolidated financial statements to make their own assessment of the financial impact were the Group to reach a different conclusion regarding consolidation.

The Group is required to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or has sponsored. The adoption of this standard does not have any material impact on the consolidated financial statement of the Group and the relevant disclosures are included in Note 5.

IFRS 13: Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The Group has provided these disclosures in Note 33.

IAS 1 Presentation of Financial Statements (Amendment)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to consolidated income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this standard has no effect on the financial position or performance of the Group and only resulted in presentation changes in the consolidated statement of comprehensive income.

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements. An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes.

IAS 19 Employee Benefits (Revised)

IAS 19 Employee Benefits ("IAS 19R") includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in income statement, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in consolidated income statement, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in consolidated income statement at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

The effect of the adoption of IAS19R is explained in Note 4.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any IASB standards, International Financial Reporting Interpretations Committee ("IFRIC") interpretations or amendments that have been issued but not yet 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.

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 income statement.

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 income statement 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 income statement.

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.

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 purchase price 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 income statement 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 income statement 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 on an individual basis with any gain or loss arising from a change in fair value being included in the consolidated income statement 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 income statement 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.

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 income statement 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 income statement.

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 income statement when the asset is derecognised.

Build-own-transfer (“BOT”) projects

BOT projects are amortised over the duration of the individual contracts in the range of 4 to 12 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.

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 through Venture Capital Organisation

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. 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 income statement in the period of the change.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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”, “cash and cash equivalents” and “derivative financial instruments” whereas the Group’s financial liabilities includes “interest bearing loans”, “trade and other payables” and “dividends payable”. 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 income statement.

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 income statement, or determined to be impaired, at which time the cumulative loss previously recorded in other comprehensive income is recognised in the consolidated income statement. 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.

Cash and cash equivalents

Cash and short-term 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, 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.

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 income statement.

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.

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.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

Derivative financial instruments and hedge accounting

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 income statement.

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:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated income statement. 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 income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated income statement 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 income statement.

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 income statement.

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 income statement. Amounts taken to other comprehensive income are transferred to consolidated income statement when the hedged transaction affects the consolidated income statement, 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 income statement. 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 income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to consolidated income statement.

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.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 income statement. 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 income statement; 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 income statement, the impairment loss is reversed through the consolidated income statement.

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 income statement. 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.

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 income statement 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.

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 income statement.

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.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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 income statement 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.

International

The Group has a number of defined benefit pension plans that cover a substantial number of employees. 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 OCI in the period in which they occur. Re-measurements are not reclassified to consolidated income statement in subsequent periods.

Past service costs are recognised in consolidated income statement 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 income statement:

- 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 income statement 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.

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 upon completion of 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 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.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements, 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.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, 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.

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 income statement 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 2013 were KD 244,360 thousand and KD 4,721 thousand respectively, (2012: KD 248,118 thousand and KD 4,721 thousand, respectively). More details are given in Notes 9, 10 and 11.

Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated income statement. 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.

Fair value measurements of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the 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 33 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 20.

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.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

The following new or amended IASB Standards have been issued but not yet mandatory, and have not been adopted by the Group:

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The standard was initially effective for annual periods beginning on or after 1 January 2015, but International Accounting Standards Board (“IASB”) in its November 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but is not expected to have an impact on classification and measurements of the Group’s financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would have any impact on the Group

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

The application of these standards will be made in the consolidated financial statements when these standards become effective.

4- IMPACT OF ADOPTION OF IAS 19R

As a result of previous acquisitions, the Group assumed responsibility for defined benefit plans for the employees of subsidiaries acquired. IAS 19R has been applied retrospectively in accordance with the transitional provisions set out in the revised standard. IAS 19R changes, amongst other things, the accounting for defined benefit plans. Some of the key changes that impacted the Group include the following:

- Actuarial gains and loss on the remeasurement of defined benefit plans are now immediately recognised in other comprehensive income (‘other reserve’). The Group previously recognised actuarial gains and losses using the corridor approach in the consolidated income statement when the cumulative unrecognised gain or loss exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets.
- Expected returns on plan assets of defined benefit plans are not recognised in consolidated income statement. Instead, interest on net defined benefit obligation (net of the plan assets) is recognised in the consolidated income statement, using the discount rate used to measure the net benefit obligation.

IAS 19R also requires more extensive disclosures which have been provided in Note 20. Sensitivity disclosures for the defined benefit obligation of comparative period (year ended 31 December 2012) have not been provided as permitted under IAS 19R.

The following adjustments were made to the consolidated financial statements:

Consolidated statement of financial position:

	31 December 2013 KD 000's	31 December 2012 KD 000's	1 January 2012 KD 000's
Decrease in other non-current assets	(4,547)	(4,070)	(2,685)
Increase in provision for employees end of service benefits	10,710	15,954	13,382
Net impact on equity	(15,257)	(20,024)	(16,067)
Attributable to:			
Equity holders of the Parent Company	(15,257)	(20,024)	(16,067)

Consolidated income statement and other comprehensive income:

	2013 KD 000's	2012 KD 000's
Increase in salaries and employees benefits	(892)	(603)
Decrease in profit for the year	(892)	(603)
Attributable to:		
Equity holders of the Parent Company	(892)	(603)
Foreign currency translation adjustments	(534)	(804)
Re-measurement gains (losses) on defined benefit plans (Note 20)	4,754	(3,340)
Increase (decrease) in other comprehensive income	4,220	(4,144)
Increase (decrease) in total comprehensive income for the period	3,328	(4,747)
Attributable to:		
Equity holders of the Parent Company	3,328	(4,747)
Decrease in basic and diluted earnings per share – attributable to equity holders of the Parent Company	(0.85) fils	(0.58) fils

There was no impact on the consolidated statement of cash flows.

5- GROUP INFORMATION

Principal subsidiaries of the Group are as follows:

Name of company	<i>Ownership % as at 31 December</i>		Country of incorporation
	<i>2013</i>	<i>2012</i>	
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”)	56.60%	56.60%	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)	36.50%	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. (see below)	100.00%	50.25%	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 49.75% equity interest in Agility Company LLC (“Agility Saudi”), a company registered in Saudi Arabia, for a total consideration of KD 5,725 thousand. The total consideration is made up of cash of KD 3,727 thousand (of which KD 2,968 thousand has been paid during the year) and a portion of land with a fair value of KD 1,998 thousand in Saudi Arabia. Following the acquisition of this additional equity interest, the Group’s equity interest in Agility Saudi increased to 100%.

	<i>KD 000’s</i>
Consideration payable to non-controlling shareholders	5,725
Carrying value of the additional equity interest acquired	(4,293)
Difference recognised in ‘other reserve’ in equity	10,018

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.

	<i>2013 KD 000’s</i>	<i>2012 KD 000’s</i>
<i>Summarised income statement:</i>		
Revenues	16,702	16,939
Cost of revenues	(14,000)	(13,883)
Operating expenses	(2,623)	(2,397)
EBITDA	79	659
Depreciation and amortisation	(591)	(752)
EBIT	(512)	(93)
Interest income	40	78
Finance cost	(126)	(141)
Taxation	-	(8)
Loss for the year	(598)	(164)
Loss allocated to non-controlling interests	(81)	(308)
<i>Summarised statement of financial position:</i>		
Non-current assets	25,507	26,213
Current assets	14,275	13,173
Non-current liabilities	(534)	(562)
Current liabilities	(6,657)	(7,132)
Total equity	32,591	31,692
Accumulated balances of non-controlling interests:	13,779	11,621
<i>Summarised cash flow information:</i>		
Operating	5	(758)
Investing	(54)	63
Financing	(121)	150
	(170)	(545)

6- PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings and improvements</i>	<i>Tools, machinery and equipment</i>	<i>Vehicles and ships</i>	<i>Furniture and office equipment</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Cost:					
1 January 2013	160,953	75,738	58,798	86,266	381,755
Additions	2,277	3,266	1,594	3,405	10,542
Transfer from projects in progress (Note 7)	821	1,231	-	-	2,052
Disposals	(4,247)	(2,857)	(5,240)	(7,758)	(20,102)
Exchange differences	(2,105)	(914)	(750)	(730)	(4,499)
31 December 2013	157,699	76,464	54,402	81,183	369,748
Depreciation:					
1 January 2013	(39,966)	(45,561)	(35,211)	(71,288)	(192,026)
Charge for the year	(9,442)	(5,538)	(4,440)	(6,376)	(25,796)
Disposals	3,768	1,444	5,109	7,288	17,609
Exchange differences	(79)	571	372	390	1,254
31 December 2013	(45,719)	(49,084)	(34,170)	(69,986)	(198,959)
Net book value:					
31 December 2013	111,980	27,380	20,232	11,197	170,789
Cost:					
1 January 2012	154,050	74,658	82,347	81,947	393,002
Additions	496	545	4,749	2,878	8,668
Transfer from projects in progress (Note 7)	8,816	-	1,860	-	10,676
Arising on acquisition of a subsidiary	229	116	50	156	551
Disposals	(6,168)	(2,120)	(29,298)	(4,085)	(41,671)
Exchange differences	3,530	2,539	(910)	5,370	10,529
31 December 2012	160,953	75,738	58,798	86,266	381,755
Depreciation:					
1 January 2012	(33,812)	(41,562)	(48,673)	(66,924)	(190,971)
Charge for the year	(6,127)	(5,221)	(9,977)	(6,518)	(27,843)
Disposals	1,263	1,597	22,904	3,168	28,932
Exchange differences	(1,290)	(375)	535	(1,014)	(2,144)
31 December 2012	(39,966)	(45,561)	(35,211)	(71,288)	(192,026)
Net book value:					
31 December 2012	120,987	30,177	23,587	14,978	189,729

The Parent Company’s buildings with a carrying value of KD 2,957 thousand (2012: KD 2,528 thousand) are erected on land leased from the Government of Kuwait for renewable periods ranging from five to twenty years.

7- 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 providing logistics services and for generating rental and transportation revenues.

	<i>2013</i>	<i>2012</i>
	<i>KD 000's</i>	<i>KD 000's</i>
At 1 January	18,898	21,098
Additions	8,232	8,449
Transfer to property, plant and equipment (Note 6)	(2,052)	(10,676)
Exchange differences	23	27
At 31 December	25,101	18,898

8- INVESTMENT PROPERTIES

	<i>2013</i>	<i>2012</i>
	<i>KD 000's</i>	<i>KD 000's</i>
At 1 January	214,590	218,114
Additions	3,835	3,049
Disposals	(5,200)	-
Impairment (Note 28)	-	(8,823)
Change in fair value	417	2,250
At 31 December	213,642	214,590

The Group has classified certain commercial properties held under long term operating leases as investment properties. Initial lease periods range from three to twenty years. All investment properties are located in Kuwait.

Future minimum rental payable under non-cancellable operating leases on these investment properties has been provided in Note 28.

The fair value of investment properties as at 31 December 2013 and 31 December 2012 was 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). A 5% increase or decrease in the estimated market price (per sqm) will increase or reduce the value of the investment properties by KD 8,058 thousand.

9- INTANGIBLE ASSETS

	<i>BOT projects KD 000's</i>	<i>Customer lists KD 000's</i>	<i>Brand KD 000's</i>	<i>Total KD 000's</i>
Cost:				
At 1 January 2013	34,140	7,271	4,721	46,132
Additions	118	-	-	118
31 December 2013	34,258	7,271	4,721	46,250
Accumulated amortisation:				
At 1 January 2013	(1,815)	(3,670)	-	(5,485)
Charge for the year	(3,111)	(498)	-	(3,609)
31 December 2013	(4,926)	(4,168)	-	(9,094)
Net book value:				
31 December 2013	29,332	3,103	4,721	37,156
31 December 2012	32,325	3,601	4,721	40,647

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, on Build-Own-Transfer (BOT) basis.

The brand is assumed to have an indefinite useful life and is subject to impairment testing on an annual basis (Note 11).

10- GOODWILL

	2013 KD 000's	2012 KD 000's
Cost:		
At 1 January	275,336	269,051
Exchange differences	(3,758)	6,285
At 31 December	271,578	275,336
Impairment:		
At 1 January and 31 December	(27,218)	(27,218)
Net carrying value	244,360	248,118

The goodwill is subject to impairment testing on an annual basis (Note 11).

11- IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIFE

The Group has identified the following business activities as cash generating units:

- Global Integrated Logistics
- Infrastructure

The Group has also determined that the above constitute the cash-generating units for testing the impairment of goodwill and intangible asset with indefinite life.

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

	<i>Carrying amount of goodwill</i>	
	<i>2013 KD 000's</i>	<i>2012 KD 000's</i>
<i>Cash generating units:</i>		
Global Integrated Logistics	222,308	226,538
Infrastructure	22,052	21,580
Total	244,360	248,118

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 2014 and assuming an average annual growth rate of 3.7% (2012: 4%) 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% (2012: 10%) and cash flows beyond the 5 year period are extrapolated using a growth rate of 3% (2012: 3%). As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated income statement.

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.

Intangible asset with indefinite life

Intangible asset with indefinite life of KD 4,721 thousand (2012: KD 4,721 thousand) represents the brand which has been tested for impairment at the reporting date. In the opinion of the management, no impairment is considered necessary.

12- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Investment in an associate – outside Kuwait	101,401	94,741
Derivative instrument – outside Kuwait	-	2,467
Quoted equity securities:		
- In Kuwait	36	38
- Outside Kuwait	27,774	22,260
	129,211	119,506

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” 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. Included in unrealised gain on financial assets at fair value through profit or loss in the consolidated income statement is an amount of KD 6,298 thousand (2012: KD 13,331 thousand) which represents unrealised gain recorded on the fair valuation of investment in Korek Telecom during the year.

As at 31 December 2013, interest bearing loan provided by the Group to Korek Telecom amounted to KD 28,246 thousand (2012: KD 28,138 thousand)((Note 29).

13- FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Unquoted equity securities:		
- In Kuwait	3,910	5,449
- Outside Kuwait	18,728	18,606
	22,638	24,055

Financial assets available for sale amounting to KD 20,320 thousand (2012: KD 24,055 thousand) are carried at cost. The management has performed a review of its financial assets available for sale to assess whether impairment has occurred in the value of these investments. Based on its review, the management has recorded an impairment loss of KD 2,765 thousand (2012: nil) in the consolidated income statement.

14- INVENTORIES

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Goods for resale	15,171	13,882
Provision for obsolete and slow moving inventories	(46)	(90)
Total inventories at the lower of cost and net realisable value	15,125	13,792

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 18 thousand (2012: KD 121 thousand) which is recognised in the cost of revenues.

15- TRADE RECEIVABLES

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Gross trade receivables	308,066	325,271
Provision for impairment	(51,881)	(51,209)
	256,185	274,062

Trade receivables are non-interest bearing and are generally on 30 to 60 days terms. As at 31 December 2013, trade receivables amounting to KD 51,881 thousand (2012: KD 51,209 thousand) were considered impaired and fully provided for.

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

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
At 1 January	51,209	51,051
Charge for the year (Note 23)	2,283	3,896
Amounts written off	(1,972)	(4,100)
Others (including exchange differences)	361	362
At 31 December	51,881	51,209

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

	<i>Neither past due nor impaired</i>		<i>Past due but not impaired</i>				<i>Total</i>
		<i>< 30 days</i>	<i>30 to 60 days</i>	<i>60 to 90 days</i>	<i>90 to 120 days</i>	<i>> 120 days</i>	
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
2013	165,807	40,836	17,927	10,943	9,730	10,942	256,185
2012	164,228	50,950	18,802	13,644	17,209	9,229	274,062

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 the vast majority are, therefore, unsecured.

Trade receivables include amounts denominated in the following major foreign currencies:

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
US Dollars	36,371	50,540
Euros	39,796	38,491
Australian Dollar	21,474	32,495
British Pounds	12,961	12,375
UAE Dirhams	26,880	20,632
	137,482	154,533

16- OTHER CURRENT ASSETS

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Prepaid expenses	25,613	20,851
Advances to suppliers	12,214	10,956
Claims in dispute [Note 28 (c)]	10,092	10,092
Deposits	6,289	6,905
Advance to a related party (Note 29)	5,000	5,000
Jobs in progress	3,827	6,920
Sundry receivables	2,669	5,002
Claims receivable	1,603	3,601
Staff receivables	1,208	995
Accrued income	257	1,140
Other	4,435	7,365
	73,207	78,827

17- BANK BALANCES AND CASH

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Cash at banks and on hand	70,070	76,242
Short term deposits	17,476	24,288
Cash and cash equivalents	87,546	100,530
Deposits with original maturities exceeding three months	65,190	42,928
	152,736	143,458

Included in bank balances and cash are balances amounting to KD 77,510 thousand (2012: KD 66,983 thousand) held by banks in Kuwait whereas the balance of KD 75,226 thousand (2012: KD 76,475 thousand) are held by foreign banks situated outside Kuwait.

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 1.25% to 1.5% per annum (2012: 1.5% to 2.5% per annum).

Included in bank balances and cash are balances denominated in foreign currencies amounting to KD 74,345 thousand (2012: KD 76,732 thousand), mainly in US Dollars, Euro, UAE Dirhams and Qatar Riyals.

18- SHARE CAPITAL, RESERVES AND DIVIDEND

a) Share capital

Number of shares		Amount	
2013	2012	2013	2012
		KD ‘000s	KD ‘000s
Authorized, issued and fully paid up shares of 100 fils each	1,046,836,709	109,918	104,684

The extraordinary general assembly of the shareholders of the Parent Company held on 26 June 2013, approved the increase of authorised share capital from KD 104,684 thousand to KD 109,918 thousand by issuing 52,341,834 bonus shares amounting to KD 5,234 thousand.

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, the transfer to statutory reserve, which is less than 10% 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 the amount required to raise the reserve to 50% of paid up share capital.

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

	<i>2013</i>	<i>2012</i>
Number of treasury shares	55,591,985	52,938,640
Percentage of issued shares	5.06%	5.06%
Market value in KD 000’s	38,914	26,999

e) Dividend

On 23 March 2014, the Board of Directors of the Parent Company recommended a cash dividend of 40 fils per share (2012: 30 fils per share) and bonus shares of 5% (2012: 5%) in respect of the year ended 31 December 2013. This proposal is subject to approval by the shareholders at the Annual General Assembly of the Parent Company.

Dividends amounting to KD 29,817 thousand in respect of the year ended 31 December 2012 were approved in the Annual General Assembly of shareholders held on 30 May 2013.

f) Other comprehensive income

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

	<i>Foreign currency translation reserve</i>	<i>Hedging reserve</i>	<i>Investment revaluation reserve</i>	<i>Other reserves</i>	<i>Non- controlling interests</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
2013:						
Financial assets available for sale:						
- Net changes in fair value of financial assets available for sale	-	-	(2,700)	-	-	(2,700)
- Transferred to consolidated income statement on impairment	-	-	2,765	-	-	2,765
Net loss on hedge of net investments	-	(53)	-	-	-	(53)
Foreign currency translation adjustments	(8,628)	-	-	-	(2,974)	(11,602)
Re-measurement gains on defined benefit plans	-	-	-	4,753	-	4,753
	(8,628)	(53)	65	4,753	(2,974)	(6,837)

18- SHARE CAPITAL, RESERVES AND DIVIDEND (continued)

	<i>Foreign currency translation reserve</i>	<i>Hedging reserve</i>	<i>Investment revaluation reserve</i>	<i>Other reserves</i>	<i>Non- controlling interests</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
2012 (restated):						
Financial assets available for sale:						
- Net changes in fair value of financial assets available for sale	-	-	(11,234)	-	-	(11,234)
- Transferred to consolidated income statement on sale	-	-	11,234	-	-	11,234
Net loss on hedge of net investments	-	(111)	-	-	-	(111)
Foreign currency translation adjustments	2,181	-	-	-	(553)	1,628
Re-measurement gains on defined benefit plans	-	-	-	(3,340)	-	(3,340)
	2,181	(111)	-	(3,340)	(553)	(1,823)

19- INTEREST BEARING LOANS

	<i>2013 KD 000's</i>	<i>2012 KD 000's</i>
Committed Term Loan obtained from a local bank and is repayable in annual instalments commencing from December 2011.	15,296	15,183
Committed Term Loan obtained from a local bank in December 2012 and is repayable in annual instalments commencing from April 2013.	24,500	27,000
Other loans	30,467	37,149
	70,263	79,332

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 62,190 thousand (2012: KD 64,419 thousand) carry margin ranging from 1% to 7.4% per annum (2012: 1% to 8.25% 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:

	<i>Current portion KD 000's</i>	<i>Non-current portion KD 000's</i>	<i>Total KD 000's</i>
Kuwaiti Dinars	6,274	22,000	28,274
US Dollars	10,188	9,425	19,613
Hong Kong Dollar	6,523	-	6,523
Chinese Yuan	1,041	3,216	4,257
Australian Dollars	3,785	-	3,785
Euro	3,207	-	3,207
Indian Rupees	565	1,767	2,332
Others	1,723	549	2,272
At 31 December 2013	33,306	36,957	70,263
At 31 December 2012	36,654	42,678	79,332

Included in interest bearing loans are loans amounting to KD 27,122 thousand (2012: KD 20,197 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 24,500 thousand (2012: KD 27,000 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 2013 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 53 thousand (2012: KD 111 thousand) was taken to other comprehensive income (hedging reserve).

20- PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	<i>2013 KD 000's</i>	<i>2012 KD 000's (Restated)</i>
Movement in the provision recognised in the consolidated statement of financial position is as follows:		
At 1 January	36,039	31,456
Provided during the year	9,062	9,117
Paid during the year	(8,042)	(6,186)
Actuarial (gain) loss in respect of defined benefit plans	(4,754)	3,340
Others (including exchange differences)	176	(1,688)
At 31 December	32,481	36,039

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

As a result of previous acquisitions, the Group 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.

2013 changes in defined benefit obligation and fair value of plan assets are as follows:

	Pension cost charged to profit or loss			Re-measurement gain (losses) in other comprehensive income									
	1 January 2013	Service Cost	Net interest	Sub-total	Benefits paid	Return on plan assets*	Actuarial changes on demographic assumptions	Actuarial changes on financial assumptions	Experience adjustments	Sub-total	Contributions by employer	Others (including exchange differences)	31 December 2013
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Defined benefit obligation	(109,974)	(1,265)	(3,167)	(4,432)	5,389	-	481	1,570	(675)	1,376	-	(3,830)	(111,471)
Fair value of plan assets	84,541	-	2,401	2,401	(4,766)	3,377	-	-	-	3,377	2,206	2,516	90,275
Benefit liability	(25,433)	(1,265)	(766)	(2,031)	623	3,377	481	1,570	(675)	4,753	2,206	(1,314)	(21,196)

2012 changes in defined benefit obligation and fair value of plan assets are as follows:

	Pension cost charged to profit or loss			Re-measurement gain (losses) in other comprehensive income									
	1 January 2012 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 demographic assumptions KD 000's	Actuarial changes on financial assumptions KD 000's	Experience adjustments KD 000's	Sub-total KD 000's	Contributions by employer KD 000's	Others (including exchange differences) KD 000's	31 December 2012 KD 000's
Defined benefit obligation	(102,174)	(1,250)	(3,604)	(4,854)	6,982	-	-	(6,515)	-	(6,515)	-	(3,413)	(109,974)
Fair value of plan Assets	79,238	-	1,741	1,741	(6,377)	3,175	-	-	-	3,175	2,844	3,920	84,541
Benefit liability	(22,936)	(1,250)	(1,863)	(3,113)	605	3,175	-	(6,515)	-	(3,340)	2,844	507	(25,433)

* excluding amount included in net interest.

20- PROVISION FOR EMPLOYEES’ END OF SERVICE BENEFITS (continued)

The actual return on plan assets for the year ended 31 December 2013 was KD 5,698 thousand (2012: KD 5,185 thousand).

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

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Quoted investments		
- Equity	42,000	38,560
- Bonds	25,738	23,903
Unquoted investments		
- Real Estate	14,555	13,917
- Insurance Policies	2,950	2,845
- Others	5,032	5,316
	90,275	84,541

The fair values of the assets have not materially changed due to the adoption of IFRS 13.

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:

	<i>2013</i>	<i>2012</i>
Discount rate at 31 December	3.44%	3.50%
Expected rate of increase of employee remuneration	2.40%	2.34%
Future pension increase	1.43%	1.36%
Life expectation for pensioners at the age of 65 (years)	24	24

A quantitative sensitivity analysis for significant assumption as at 31 December 2013 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.

	<i>Impact on the net defined benefit obligations KD 000's</i>
Discount rate	
- 1% increase	(13,931)
- 1% decrease	16,336
Expected rate of increase of employee remuneration	
- 1% increase	587
- 1% decrease	(514)
Future pension cost increase	
- 1% increase	
- 1% decrease	12,257 (5,864)
Life expectancy	
- increase by 1 year	3,431
- decrease by 1 year	(3,480)

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

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Within the next 12 months	2,897	2,751
Between 2 and 5 years	11,007	10,610
Between 5 and 10 years	13,956	13,517
Beyond 10 years	33,200	34,302
	61,060	61,180

The average duration of the defined benefit plan obligation at the end of the reporting period is 14 years (2012: 13 years).

21- OTHER NON-CURRENT LIABILITIES

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Lease obligations	4,544	4,984
Amounts due to related parties (Note 29)	14,900	20,098
Other liabilities	9,609	8,918
	29,053	34,000

22- TRADE AND OTHER PAYABLES

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Trade payables	180,536	188,735
Accrued expenses	91,961	92,227
Accrued employee related expenses	37,837	35,683
NLST payable	12,562	11,350
Taxation on overseas subsidiaries	5,173	4,653
Zakat payable	4,577	4,180
Lease obligations	1,219	1,107
KFAS payable	1,029	3,215
Amounts due to related parties (Note 29)	173	98
Directors’ remuneration	144	164
Other liabilities	41,055	40,347
	376,266	381,759

Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

23- GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
Rent	26,229	26,471
Professional fees	20,918	27,900
Repairs and maintenance	17,047	17,494
Facilities management	8,795	9,137
Communication	6,949	7,471
Travel	6,506	5,861
Insurance	3,979	3,926
Office supplies	2,775	2,885
Restructuring expenses	2,424	2,305
Provision for impairment of trade receivables (Note 15)	2,283	3,896
Bank charges	1,198	1,165
Advertising	1,079	1,104
Other expenses	18,525	6,647
	118,707	116,262

24- SALARIES AND EMPLOYEE BENEFITS

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i> <i>(Restated)</i>
Salaries	169,926	168,139
Employee benefits	16,271	16,284
	186,197	184,423

25- TAXATION

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i>
NLST	1,209	898
Contribution to KFAS	457	359
Zakat	484	359
Taxation on overseas subsidiaries	7,518	6,437
	9,668	8,053

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

26- 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:

	<i>2013</i> <i>KD 000's</i>	<i>2012</i> <i>KD 000's</i> <i>(Restated)</i>
Profit for the year attributable to equity holders of the Parent Company	46,206	33,694
	Shares	Shares
Weighted average number of paid up shares	1,099,178,539	1,099,178,539
Weighted average number of treasury shares	(55,591,985)	(53,010,448)
Weighted average number of outstanding shares	1,043,586,554	1,046,168,091
Basic and diluted earnings per share - attributable to equity holders of the Parent Company	44.28 fils	32.21 fils

Basic and diluted earnings per share for the comparative period presented have been restated to reflect the adoption of IAS 19R (Note 4) and the issue of bonus shares during the year (Note 18).

27- 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.

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’. The Group deals in the following derivative instruments to manage the interest rate risk and foreign exchange 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.

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.

Equity options

Equity options are agreements that grant the option holders right, but not an obligation, to acquire or sell equity interest in a company on exercise.

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.

27- DERIVATIVE FINANCIAL INSTRUMENTS (continued)

				<i>Notional amounts by term to maturity</i>	
	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional amount KD 000's</i>	<i>Within one year KD 000's</i>	<i>1 - 5 years KD 000's</i>
2013					
<i>Derivatives held for trading:</i>					
Forward foreign exchange contracts	3	-	5,108	5,108	-
<hr/>					
2012					
<i>Derivatives held for trading:</i>					
Forward foreign exchange contracts	14	-	11,487	11,487	-
Interest rate swaps	-	(17)	3,799	3,799	-
	14	(17)	15,286	15,286	-
<hr/>					

Fair value of the equity option (Note 12) at 31 December 2013 is KD nil (2012: KD 2,467 thousand).

28- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	<i>2013 KD 000's</i>	<i>2012 KD 000's</i>
Letters of guarantee	91,046	90,997
Operating lease commitments	34,838	38,135
Capital commitments	3,846	4,867
	129,730	133,999
<hr/>		

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

	<i>2013 KD 000's</i>	<i>2012 KD 000's</i>
Within one year	9,521	13,261
After one year but not more than five years	21,736	19,529
More than five years	3,581	5,345
	34,838	38,135
<hr/>		

Included in letters of guarantee are bank guarantees of KD 31,405 thousand (2012: 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

In October 2007, certain subsidiaries (involved in the freight forwarding business) in the Group along with other major players in the freight forwarding industry received requests for information from the competition authorities of the EU, the United States and other jurisdictions in connection with an industry-wide investigation into the setting of surcharges and fees. These subsidiaries are fully cooperating with the respective authorities.

In July 2009, a subsidiary was named as a defendant in a class action lawsuit filed in the Eastern District of New York, along with a number of other freight forwarding companies, regarding surcharges and fees for services. In November 2009, the defendants filed motions to dismiss the claims. On 13 August 2012, the court granted in part and denied in part the defendants’ motions to dismiss and dismissed all but one of the claims asserted in the complaint. The court also granted the plaintiffs’ leave to file an amended complaint. Plaintiffs filed a Third Amended Class Action Complaint (“TAC”) on 15 November 2012. The defendants filed motions to dismiss plaintiffs’ claims on 27 February 2013 and oral argument was held on the motions on 13 June 2013. On 20 September 2013, the Magistrate issued a Reports & Recommendation (“Report”) on the motions, recommending that the District Court grant them in part and deny them in part. The District Court adopted the report on 28 January 2014, and ordered that the subsidiary be dismissed from the TAC and that plaintiffs be permitted to add another subsidiary of the Parent Company as a defendant. Accordingly summons were served on the subsidiary on 4 February 2014. Discovery is currently underway. The ultimate outcome of this litigation is uncertain at this time.

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 June 2011, imposing a total fine of KD 55 thousand (Euro 139 thousand) 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 in to 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, the Brazilian competition authority has indicated that it considers the notice to the Parent Company duly served. The Parent Company is taking steps to contest the validity of the service of process in the Brazilian courts.

In December 2011, the Competition Commission Singapore (CCS) opened an investigation into the activities of the freight forwarding industry which included two of Agility’s subsidiaries. No formal charges have been brought against the subsidiaries at this time.

As at 31 December 2013, 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 accompanying consolidated financial statements.

(b) Lease agreements

On 27 November 2006, based on the recommendation by the Ministers’ Council, the Minister of Commerce & Industry issued the Resolution No. 30/2006 to terminate three contracts between the Parent Company and the Public Authority of Industry (PAI) for leasing of land in Mina Abdulla Zone, Kuwait.

The Parent Company protested against this order through case No. 940/2006 “Administrative”. In the Hearing held on 25 December 2006, the Court of first instance pronounced its ruling to repeal the aforesaid Resolution of the Minister of Commerce & Industry and its resultant impacts, which was also subsequently confirmed by the Court of appeal. The Ministry filed an appeal at the Supreme Court on which the Supreme Court issued a ruling on 4 May 2010, rejecting the Ministry’s appeal and confirming the previous ruling in favour of the Parent Company.

However, the Government of Kuwait requested the Board of PAI to hold a meeting chaired by the Minister of Commerce & Industry, which issued another resolution No. 1/2007 to terminate the same contracts which were subject of the previous resolution. The Parent Company again protested against the above resolution through case No. 36/2007 at the Court of First Instance which ruled in favour of the Parent Company cancelling the aforesaid resolution of the PAI.

The PAI appealed against the above ruling at the Court of Appeal which pronounced its judgement in its favour on 20 February 2012 cancelling the ruling of Court of First Instance and confirming the termination of the three contracts.

28- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

On 30 January 2013, the Supreme Court issued its final ruling which affirmed the decision of the Court of Appeal and confirmed the termination of the contracts between the Parent Company and PAI. As a result of this ruling, the Parent Company lost the rights to use the properties. The Parent Company had suspended recognising revenue on the aforementioned contracts since the inception of the case and had recognised impairment provision amounting to KD 8,823 thousand in respect of these properties during the year ended 31 December 2012.

(c) 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. Pursuant to this resolution, GAC called the above guarantee during the year ended 31 December 2007. This Resolution is being appealed through case No. 224/2007 “Administrative - 7”.

The Parent Company (after consulting the external counsel) is of the opinion that the purported violations against which a portion of the bank guarantee provided was encashed, are not in accordance with the contract, and a verdict shall be issued in favour of the Company to return the encashed portion of the guarantee plus interest of 7%. In 2009, the Company obtained a report from the expert department of Ministry of Justice on this matter which was in favour of the Company in respect of most of the issues arising from the case. Accordingly, no expense is recorded in the consolidated income statement.

During the year, GAC also filed a legal claim against the Company for an amount of KD 48,000 thousand towards fees and KD 53,400 thousand towards penalty in relation to an ongoing contract with GAC. The Parent Company (after consulting the external counsel) is of the view that this claim is not in accordance with the contract as GAC did not fulfil its obligations in the respect of this matter. Accordingly, no expense is required to be recorded in the consolidated income statement.

(d) 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 incidentals claims and legal proceedings matters. The in-house legal counsel of the Group believes that these matters will not have a material adverse effect on the accompanying consolidated financial statements.

29- RELATED PARTY TRANSACTIONS

As per the International Accounting Standard (IAS) 24: Related Party Disclosures, 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:

	Major shareholders	Other related parties	Total
	KD 000's	KD 000's	KD 000's
2013			
Consolidated income statement			
Revenues	-	994	994
Interest income	-	3,247	3,247
General and administrative expenses	98	43	141
Finance costs	-	928	928
Consolidated statement of financial position:			
Advance to a related party (Note 16)	5,000	-	5,000
Amounts due from related parties	-	326	326
Loan to an associate (Note 12)	-	28,246	28,246
Amounts due to related parties (Notes 21 and 22)	170	14,903	15,073
2012			
Consolidated income statement			
Revenues	-	1,268	1,268
Interest income	-	3,259	3,259
General and administrative expenses	72	95	167
Finance costs	-	705	705
Consolidated statement of financial position:			
Advance to a related party (Note 16)	5,000	-	5,000
Amounts due from related parties	-	213	213
Loan to an associate (Note 12)	-	28,138	28,138
Amounts due to related parties (Notes 21 and 22)	-	20,196	20,196

Advance to a related party amounting to KD 5,000 thousand (2012: KD 5,000 thousand) represents amount paid to acquire an investment (Note 16).

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

A portion of amounts due to related parties carries an interest of 6.5% per annum (2012: 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:

	2013	2012
	KD 000's	KD 000's
Short-term benefits	2,802	2,347

Short term benefits include discretionary bonus amounting to KD 1,384 thousand (2012: KD 897 thousand) awarded to key management personnel.

Related party transactions are subject to approval of the shareholders during the forthcoming general assembly.

30- 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 income statement.

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 2013	Logistics and related services KD 000's	Infrastructure KD 000's	Adjustments and eliminations KD 000's	Total KD 000's
Revenues				
External customers	1,125,493	250,199	-	1,375,692
Inter-segment	253	6,938	(7,191)	-
Total revenues	1,125,746	257,137	(7,191)	1,375,692
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	23,122	78,852	(7,983)	93,991
Depreciation	(17,670)	(8,126)	-	(25,796)
Amortisation	(498)	(3,111)	-	(3,609)
Profit before interest, taxation and Directors' remuneration (EBIT)	4,954	67,615	(7,983)	64,586
Interest income				5,228
Finance costs				(6,946)
Profit before taxation and Directors' remuneration				62,868
Taxation and Directors' remuneration				(9,819)
Profit for the year				53,049
Total assets	717,750	850,009	(155,497)	1,412,262
Total liabilities	886,664	604,339	(975,376)	515,627
Other disclosures:				
Goodwill	222,308	22,052	-	244,360
Intangible assets	8,719	28,437	-	37,156
Capital expenditure	(4,936)	(24,871)	(697)	(30,504)
Impairment of financial assets available for sale	-	(2,765)	-	(2,765)
Change in fair value of investment properties	-	417	-	417
Unrealised gain on financial assets at fair value through profit or loss	-	9,334	-	9,334

Year ended 31 December 2012 (restated)	<i>Logistics and related services KD 000's</i>	<i>Infrastructure KD 000's</i>	<i>Adjustments and eliminations KD 000's</i>	<i>Total KD 000's</i>
Revenues				
External customers	1,179,550	238,200	-	1,417,750
Inter-segment	91	4,616	(4,707)	-
Total revenues	1,179,641	242,816	(4,707)	1,417,750
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	24,519	56,258	(1,935)	78,842
Depreciation	(17,614)	(9,115)	(1,114)	(27,843)
Amortisation	(498)	(1,815)	-	(2,313)
Profit before interest, taxation and Directors' remuneration (EBIT)	6,407	45,328	(3,049)	48,686
Interest income				6,328
Finance costs				(6,770)
Profit before taxation and Directors' remuneration				48,244
Taxation and Directors' remuneration				(8,206)
Profit for the year				40,038
Total assets	766,691	849,383	(187,320)	1,428,754
Total liabilities	1,050,314	675,333	(1,186,771)	538,876
Other disclosures:				
Goodwill	226,538	21,580	-	248,118
Intangible assets	8,322	32,325	-	40,647
Capital expenditure	6,111	14,055	-	20,166
Unrealised gain on financial asset at fair value through profit or loss	-	15,641	-	15,641
Change in fair value of investment properties (unrealised gain)	-	2,250	-	2,250
Gain on bargain purchase of a subsidiary	-	4,384	-	4,384
Impairment of investment properties	-	(8,823)	-	(8,823)
Realised loss on disposal of financial assets available for sale	-	(11,234)	-	(11,234)

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.

30- OPERATING SEGMENT INFORMATION (continued)

Geographic information

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

	2013	2012
Revenue from external customers	KD 000's	KD 000's
Middle East	262,342	250,153
Europe	374,700	362,197
Asia	467,673	507,725
America	213,832	254,961
Africa	57,145	42,714
	1,375,692	1,417,750

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

	2013	2012
Non-current assets	KD 000's	KD 000's (Restated)
Middle-east	453,003	443,861
Europe	46,936	48,913
Asia	174,980	180,845
America	31,026	34,125
Africa	20,684	23,036
Unallocated	36,531	44,274
	763,160	775,054

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.

31- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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.

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.

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 2013 and 2012 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:

	2013	2012
	KD 000's	KD 000's
Bank balances	152,736	143,458
Trade receivables	256,185	274,062
Loan to an associate	28,246	28,138
Other receivables	40,896	34,723
	478,063	480,381

31- 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
2013					
Interest bearing loans	-	867	35,430	46,786	83,083
Trade and other payables	31,355	62,710	282,201	-	376,266
Dividends payable	7,564	-	-	-	7,564
Other non-current liabilities	-	-	-	29,981	29,981
Total financial liabilities	38,919	63,577	317,631	76,767	496,894
2012					
Interest bearing loans	130	2,017	38,161	47,219	87,527
Trade and other payables	32,614	65,227	283,918	-	381,759
Dividends payable	7,746	-	-	-	7,746
Other non-current liabilities	-	-	-	34,705	34,705
Total financial liabilities	40,490	67,244	322,079	81,924	511,737

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 2013 and 2012.

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.

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 income statement

	2013 KD 000's	2012 KD 000's
US Dollars	98	244

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 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 income statement	
	2013 KD 000's	2012 KD 000's	2013 KD 000's	2012 KD 000's
US Dollars	2,506	2,617	3	33

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. The equity price risk exposure arises from the Group’s investment in quoted equity securities classified as ‘financial assets at fair value through profit or loss’.

Equity price sensitivity

Quoted securities:

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of these financial assets as a result of change in the equity indices, to which the Group has exposure at 31 December:

Market indices	Change in equity price %	Effect on consolidated income statement KD'000
2013		
Qatar Stock Exchange	+5	1,389
2012		
Qatar Stock Exchange	+5	1,113

Decrease in the equity price will have an equal but opposite effect on the consolidated income statement.

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 33.

32- 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 2013 and 31 December 2012.

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

	2013 KD 000's	2012 KD 000's (Restated)
Interest bearing loans	70,263	79,332
Bank balances and cash	(152,736)	(143,458)
Net cash	(82,473)	(64,126)
Equity attributable to the equity holders of the Parent Company	877,526	875,018
Investment revaluation reserve	(80)	(15)
Equity	877,446	875,003

33- 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 KD'000	Level 3 KD'000	Total fair value KD'000
2013			
Financial assets at fair value through profit or loss:			
Investment in an associate	-	101,401	101,401
Quoted equity securities	27,810	-	27,810
	27,810	101,401	129,211
Financial assets available for sale:			
Unquoted equity securities	-	2,318	2,318
	27,810	103,719	131,529
2012			
Financial assets at fair value through profit or loss:			
Investment in an associate	-	94,741	94,741
Quoted equity securities	22,298	-	22,298
Derivative instruments	-	2,467	2,467
	22,298	97,208	119,506

There were no transfers between the hierarchies during 2013 and 2012.

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

	At January 2013 KD	Gain recorded in the consolidated income statement KD	Gain recorded in consolidated statement of comprehensive income KD	Others including net purchases (sales) KD	At 31 December 2013 KD
Assets measured at fair value					
Financial assets at fair value through profit or loss:					
Investment in an associate	94,741	6,298	-	362	101,401
Derivative financial instrument	2,467	(2,467)	-	-	-
Financial assets available for sale:					
Unquoted equity securities	-	-	65	2,253	2,318
	97,208	3,831	65	2,615	103,719

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:

As at the reporting date, fair value of the Group’s investment in an associate has been determined using the discounted cash flow (“DCF”) method. The following significant unobservable valuation inputs have been used for the determination of fair value:

Significant unobservable input	Sensitivity of the input to fair value
Weighted average cost of capital (WACC)	A 1% increase / decrease in WACC will result in a decrease / increase in fair values by KD 4,859 thousand and KD 5,060 thousand respectively.
Enterprise Value/EBITDA multiple	A 5% increase / decrease in the multiple will result in an increase / decrease in fair value by KD 5,392 thousand.

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.

Giving Back at Agility

A summary of our corporate social responsibility activity worldwide

Our Responsibility

We believe in building trust with employees, customers, communities, suppliers, and shareholders by doing what is right and giving back.

Performance Highlights

Environment

Mapping carbon footprint in **70%** of our operations

Community

Invested in **950** community projects in **75** countries*

40% of employees work on ISO 14001 certified site

Donated humanitarian logistics support in **30** natural disasters*

Ethics

Anonymous ethics hotline available in **100** countries

People

3500 migrant workers trained on human rights

85% of workforce currently participating in ethics training

Labor audits in **6** countries in the Middle East

* In the last seven years

Community

2013
6,304
volunteers

2012
3,480
volunteers

2011
2,835
volunteers

Volunteerism at Agility

Almost 30% of the workforce volunteers to participate in social programs in local communities

Environment

Mapping our carbon footprint

Reducing our environmental impact

Working with customers to green their supply chain

Humanitarian logistics

Logistics emergency teams support humanitarian partners after devastating typhoon hits the Philippines

deployed 10 logistics experts

10,000 sqm warehouse

100 tons un/loaded per day

donated trucking services

20 shipping containers

We have invested in more than 950 projects in 75 countries in the last decade

USA: \$1.5 million to support paralyzed veterans

Egypt: Access to water for 500 children

India: support night school to help 600 young people graduate

Cambodia: Built six preschools reaching 400 kids a year.

Investors' Relations

We continue to grow along two main fronts:

- One: by improving performance in the core Global Integrated Logistics (GIL) business
- Two: by growing the individual companies within our Infrastructure portfolio

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