

# Annual Report 2014

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



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# Financial Highlights



## Revenues (KD Mln)

2013: 1,376

2012: 1,418

1,357 | 2014

## EBITDA (KD Mln)

2013: 94

2012: 79

100 | 2014

## Net Income (KD Mln)

2013: 46

2012: 34

51 | 2014

## EPS (Fils)

2013: 42.17

2012: 32.21

46.40 | 2014

## Total Assets (KD Mln)

2013: 1,412

2012: 1,428

1,452 | 2014

## Share holder's Equity (KD Mln)

2013: K.D 878

2012: K.D 875

889 | 2014

## Net Cash (KD Mln)

2013: 82

2012: 64

60 | 2014





# Board of Directors



**Henadi Anwar Al-Saleh**  
Chairman

**Tarek Abdulaziz Sultan Al-Essa**  
Vice Chairman

**Ayman Bader Sultan Al-Essa**  
Board Member

**Jameel Sultan Al-Essa**  
Board Member

**Adel Mohammed Al-Bader**  
Board Member

**Esam Khaleel Al Refaei**  
Board Member

**Naser Mohammed Al-Rashed**  
Board Member



### Dear Shareholders,

Agility has steadily grown bottom-line profitability across its various business entities over the last three years. We will continue to drive margin expansion in our Global Integrated Logistics business by focusing on strengthening its operating platform, maintaining financial discipline, and focusing on high-growth markets, products, and verticals. We will also continue to grow our Infrastructure portfolio of companies, which are uniquely positioned to capture opportunities in niche segments in emerging markets. A key part of this growth will include accelerating our expansion on the African continent.

### Agility's Financial Results for full year 2014

Agility for the full-year 2014 reported a net profit of KD 50.84 million, or 46.40 fils per share, an increase of 10% over the same period in 2013. Revenues for the year stood at KD 1.36 billion and EBITDA was KD 99.97 million, a 6% increase compared to FY 2013.

The board has proposed a dividends distribution of 35% (35 fils per share) and 5% bonus shares for the fiscal year 2014.

### Agility's Global Integrated Logistics (GIL)

GIL revenue for the full year of 2014 was KD 1.06 billion, a 6% decline from the same period last year. This reflects both general economic volatility and the winding down of major project logistics contracts held by Agility in countries like Australia and Papua New Guinea.

That said, GIL's net revenue has improved by 1% in 2014. Margins have expanded from 21.8% in 2013 to 23.4% in 2014. This is attributed

primarily to two factors. First, continued growth in contract logistics across the Middle East and Asia, where Agility opened new facilities, improved warehouse occupancy, and grew volumes from existing and new customers. Second, Agility's air freight yields improved in 2014, offsetting some of the continued margin pressure on the ocean freight side.

Agility Global Integrated Logistics will continue to focus on three areas:

- Commercial excellence through a strong trade lane management approach and focus on high-growth markets and industries
- Operational excellence by transforming its business through technology.
- Financial discipline to ensure its cost structure remains lean and flexible.

### Agility's Infrastructure Group

In 2014, Agility's Infrastructure group of companies saw revenues increase by 18% to KD 302.90 million, when compared with the full year of 2013.

Revenues for Agility's real estate business grew by 12% compared to the same period this year. Agility maintains a strong real estate platform in Kuwait, but is also actively developing holdings in other Gulf countries, the subcontinent, and Africa. In 2014, Agility broke ground on an Agility Distribution Park in Ghana, the first of a series of logistics hubs across the African continent that will provide international-standard logistics infrastructure to local, regional and global companies.



# Vice Chairman and CEO's Message

Agility's Infrastructure companies have historically performed well, and this year was no exception. We continue to believe in the long-term opportunities that the Infrastructure companies have to tap into niche segments in emerging markets across the Middle East, Asia, and Africa. We add value to our customers by being willing to go in early, investing in infrastructure that enables trade, building local capacity, and continuing to deliver even through the tough times.

Africa is an area of focus for Agility's businesses across the board. Global Integrated Logistics has operational capacity in 11 Africa countries and is planning to expand further, and our Project Logistics division has long-solved complex supply chain challenges for the oil and gas industry in West Africa. In addition, in 2014, National Aviation Services expanded its ground handling footprint on the continent with a new concession in the Ivory Coast. Tristar, a fuel logistics company, owns and operates more than 30 terminals in Africa with more than 60 million litres in storage capacity. Agility recently opened new business development offices in Mozambique and Ghana with a view to offering truly integrated solutions across its various lines of business.

## 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 1100 community projects in 75 countries, reaching more than 1 million people in need in the last decade. In 2014, we also continued with our efforts to support our humanitarian partners after major natural disasters. After a typhoon in

the Philippines, we donated transportation, as well as time of our logistics experts, to the relief efforts. We also supported humanitarian partners and national governments in training and disaster preparedness. 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.

## Going forward

Agility has grown steadily for the last few years. We will continue to maintain discipline and focus on execution in our core logistics business, but at the same time are also investing for the future on the Infrastructure side. As always, we remain committed to delivering value for our shareholders and engaging responsibly with our communities.

At the end, we would like to thank our shareholders, stakeholders and employees for their continuous support.



**Tarek Abdulaziz Sultan Al Essa**  
Vice Chairman and CEO



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## Auditor's Report

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Agility Public Warehousing Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as of 31 December 2014, and the consolidated statements of income, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### *Basis for Qualified Opinion*

As further discussed in Note 12 to the consolidated financial statements, the Parent Company's investment in Korek Telecom ("Korek") is carried at KD 105,148 thousand in consolidated statement of financial position as at 31 December 2014. We were unable to obtain sufficient appropriate audit evidence about the fair value of the investment in Korek Telecom as at 31 December 2014 due to the nature and significant uncertainty around the value of the investment. Consequently, we were unable to determine whether any adjustments to the carrying value of the investment were necessary.





### *Qualified Opinion*

In our opinion, except for the possible 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 2014 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:

1) 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 ultimate outcome of these matters cannot presently be determined, and therefore no provision has been made in the consolidated financial statements; and

2) Note 27 (a) and (b) 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, except for the "Basis for Qualified Opinion" paragraph, 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 2014 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.

6 April 2015  
Kuwait

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

**CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014**



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2014

	Notes	31 December 2014 KD 000's	31 December 2013 KD 000's
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	175,739	170,789
Projects in progress	6	27,441	25,101
Investment properties	7	237,189	213,642
Intangible assets	8	33,699	37,156
Goodwill	9	246,890	244,360
Investment in associates	11	37,182	2,333
Financial assets at fair value through profit or loss	12	105,184	129,211
Financial assets available for sale	13	23,927	22,638
Other non-current assets		36,952	41,533
Loan to an associate	12	29,289	28,246
<b>Total non-current assets</b>		<b>953,492</b>	<b>915,009</b>
<b>Current assets</b>			
Inventories	14	19,695	15,125
Trade receivables	15	270,602	256,185
Other current assets	16	74,976	73,207
Bank balances, cash and deposits	17	133,597	152,736
<b>Total current assets</b>		<b>498,870</b>	<b>497,253</b>
<b>TOTAL ASSETS</b>		<b>1,452,362</b>	<b>1,412,262</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	18	115,414	109,918
Share premium	18	152,650	152,650
Statutory reserve	18	57,707	54,959
Treasury shares	18	(45,038)	(45,038)
Treasury shares reserve		44,366	44,366
Foreign currency translation reserve	18	(16,934)	(27,070)
Hedging reserve	18	(20,463)	(17,090)
Investment revaluation reserve	18	197	80
Other reserves	18	(29,248)	(24,818)
Retained earnings		630,419	629,569
<b>Equity attributable to equity holders of the Parent Company</b>		<b>889,070</b>	<b>877,526</b>
Non-controlling interests	4	22,041	19,109
<b>Total equity</b>		<b>911,111</b>	<b>896,635</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits	19	36,938	32,481
Interest bearing loans	20	26,204	36,957
Other non-current liabilities	21	30,069	29,053
<b>Total non-current liabilities</b>		<b>93,211</b>	<b>98,491</b>
<b>Current liabilities</b>			
Interest bearing loans	20	47,117	33,306
Trade and other payables	22	392,865	376,266
Dividends payable		8,058	7,564
<b>Total current liabilities</b>		<b>448,040</b>	<b>417,136</b>
<b>Total liabilities</b>		<b>541,251</b>	<b>515,627</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,452,362</b>	<b>1,412,262</b>


Henadi Al Saleh  
Chairperson

Tarek Abdul Aziz Sultan  
Vice Chairperson and CEO

The attached notes 1 to 32 form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF INCOME**  
 FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 KD 000's	2013 KD 000's
<b>Revenues</b>			
Logistics and freight forwarding revenues		1,223,599	1,263,469
Rental revenues		45,409	42,034
Other services		88,339	70,189
		<u>1,357,347</u>	<u>1,375,692</u>
<b>Cost of revenues</b>		<u>(965,317)</u>	<u>(989,396)</u>
<b>Net revenues</b>		392,030	386,296
General and administrative expenses	23	(315,646)	(304,904)
Change in fair value of investment properties	7	16,629	417
Gain on sale of an investment property		-	300
Share of results of associates	11	2,136	-
Unrealised gain on financial assets at fair value through profit or loss		925	9,334
Impairment of financial assets available for sale	13	(196)	(2,765)
Miscellaneous income		4,096	5,313
		<u>99,974</u>	<u>93,991</u>
<b>Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)</b>			
Depreciation	5	(25,916)	(25,796)
Amortisation	8	(3,641)	(3,609)
		<u>70,417</u>	<u>64,586</u>
<b>Profit before interest, taxation and Directors' remuneration (EBIT)</b>			
Interest income		4,885	5,228
Finance costs		(6,800)	(6,946)
		<u>68,502</u>	<u>62,868</u>
<b>Profit before taxation and Directors' remuneration</b>			
Taxation	24	(10,015)	(9,668)
Directors' remuneration		(140)	(151)
		<u>58,347</u>	<u>53,049</u>
<b>PROFIT FOR THE YEAR</b>			
<b>Attributable to:</b>			
Equity holders of the Parent Company		50,838	46,206
Non-controlling interests		7,509	6,843
		<u>58,347</u>	<u>53,049</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	25	<u>46.40 fils</u>	<u>42.17 fils</u>

The attached notes 1 to 32 form part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
<b>Profit for the year</b>	<u><b>58,347</b></u>	<u><b>53,049</b></u>
<b>Other comprehensive income:</b>		
<i>Items to be reclassified to consolidated statement of income in subsequent periods:</i>		
Net change in fair value of financial assets available for sale	(79)	(2,700)
Transferred to consolidated statement of income on impairment	196	2,765
Net loss on hedge of net investments (Note 20)	(563)	(53)
Net loss on cash flow hedges (Note 26)	(2,810)	-
Foreign currency translation adjustments	<u>10,586</u>	<u>(11,602)</u>
<b>Net other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods</b>	<u><b>7,330</b></u>	<u><b>(11,590)</b></u>
<i>Items not to be reclassified to consolidated statement of income in subsequent periods:</i>		
Re-measurement (losses) gains on defined benefit plans (Note 19)	<u>(5,581)</u>	<u>4,753</u>
<b>Net other comprehensive (loss) income not to be reclassified to consolidated statement of income in subsequent periods</b>	<u><b>(5,581)</b></u>	<u><b>4,753</b></u>
<b>Other comprehensive income (loss)</b>	<u><b>1,749</b></u>	<u><b>(6,837)</b></u>
<b>Total comprehensive income for the year</b>	<u><b>60,096</b></u>	<u><b>46,212</b></u>
<b>Attributable to:</b>		
Equity holders of the Parent Company	52,137	42,343
Non-controlling interests	<u>7,959</u>	<u>3,869</u>
	<u><b>60,096</b></u>	<u><b>46,212</b></u>

The attached notes 1 to 32 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 KD 000's	2013 KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation and Directors' remuneration		68,502	62,868
Adjustments for:			
Depreciation	5	25,916	25,796
Amortisation	8	3,641	3,609
Change in fair value of investment properties	7	(16,629)	(417)
Gain on sale of an investment property		-	(300)
Share of results of associates	11	(2,136)	-
Unrealised gain on financial assets at fair value through profit or loss		(925)	(9,334)
Impairment of financial assets available for sale	13	196	2,765
Provision for impairment of trade receivables	15	5,593	2,283
Provision for employees' end of service benefits	19	9,509	9,062
Foreign currency exchange loss (gain)		229	(1,752)
Interest income		(4,885)	(5,228)
Finance costs		6,800	6,946
Miscellaneous income		(4,096)	(5,313)
Operating profit before changes in working capital		91,715	90,985
Inventories		(4,144)	(1,490)
Trade receivables		(27,622)	9,465
Other current assets		1,672	4,415
Trade and other payables		19,064	(4,242)
Cash from operations		80,685	99,133
Taxation paid		(8,280)	(9,845)
Directors' remuneration paid		(140)	(165)
Employees' end of service benefits paid	19	(9,865)	(8,042)
Net cash flows from operating activities		62,400	81,081
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	5	(25,775)	(10,542)
Advance paid for purchase of property, plant and equipment		-	(10,481)
Proceeds from disposal of property, plant and equipment		879	7,457
Additions to projects in progress	6	(4,536)	(8,232)
Proceeds from disposal of an investment property		-	5,500
Additions to investment properties	7	(6,918)	(3,835)
Additions to intangible assets	8	(184)	(118)
Acquisition of investment in an associate	11	(5,294)	-
Acquisition of additional interest in subsidiaries		(2,658)	(2,968)
Net movement in financial assets available for sale		(753)	(1,349)
Net movement in other non-current assets		7,534	-
Advance paid for acquiring an investment		(1,055)	-
Dividends received from an associate	11	1,110	-
Net movement in deposits with original maturities exceeding three months	17	28,581	(22,262)
Other dividends received		-	387
Interest income received		3,206	6,103
Net cash flows used in investing activities		(5,863)	(40,340)
<b>FINANCING ACTIVITIES</b>			
Net movement in interest bearing loans		1,646	(13,546)
Finance costs paid		(5,749)	(5,389)
Dividends paid to equity holders of Parent Company		(41,250)	(29,874)
Dividends paid to non-controlling interests		(2,798)	(3,913)
Net cash flows used in financing activities		(48,151)	(52,722)
Net foreign exchange differences		1,056	(1,003)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		9,442	(12,984)
Cash and cash equivalents at 1 January		87,546	100,530
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	17	96,988	87,546

The attached notes 1 to 32 form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2014

	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		
	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 2013	109,918	152,650	54,959	(45,038)	44,366	(27,070)	(17,090)	80	(24,818)	629,569	877,526	896,635
Profit for the year	-	-	-	-	-	-	-	-	-	50,838	50,838	58,347
Other comprehensive income (loss)	-	-	-	-	-	10,136	(3,373)	117	(5,581)	-	1,299	1,749
Total comprehensive income (loss) for the year	-	-	-	-	-	10,136	(3,373)	117	(5,581)	50,838	52,137	60,096
Dividends (Note 18)	-	-	-	-	-	-	-	-	-	(41,744)	(41,744)	(41,744)
Issue of bonus shares (Note 18)	5,496	-	-	-	-	-	-	-	-	(5,496)	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,798)
Transfer to statutory reserve	-	-	2,748	-	-	-	-	-	-	(2,748)	-	-
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	1,151	-	1,151	(1,078)
As at 31 December 2014	115,414	152,650	57,707	(45,038)	44,366	(16,934)	(20,463)	197	(29,248)	630,419	889,070	911,111

The attached notes 1 to 32 form part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2014

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	KD 000's
As at 31 December 2012	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
Profit for the year	-	-	-	-	-	-	-	-	-	46,206	46,206	6,843	53,049
Other comprehensive (loss) income	-	-	-	-	-	(8,628)	(53)	65	4,753	-	(3,863)	(2,974)	(6,837)
Total comprehensive (loss) income for the year	-	-	-	-	-	(8,628)	(53)	65	4,753	46,206	42,343	3,869	46,212
Dividends (Note 18)	-	-	-	-	-	-	-	-	-	(29,817)	(29,817)	-	(29,817)
Issue of bonus shares (Note 18)	5,234	-	-	-	-	-	-	-	-	(5,234)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,913)	(3,913)
Transfer to statutory reserve	-	-	2,617	-	-	-	-	-	-	(2,617)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(10,018)	-	(10,018)	4,293	(5,725)
As at 31 December 2013	109,918	152,650	54,959	(45,038)	44,366	(27,070)	(17,090)	80	(24,818)	629,569	877,526	19,109	896,635

The attached notes 1 to 32 form part of these consolidated financial statements.

## 1- CORPORATE INFORMATION

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

The main objectives of the Parent Company are as follows:

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

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

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 29 March 2015, 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.

## 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.

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

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

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. On 26 August 2013, the US Government moved to dismiss the appeal which was granted by the ASBCA on 10 December 2014. The Parent Company intends to appeal the dismissal to the Court of Appeals for the Federal Circuit.

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

## 3- SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

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

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

### Statement of compliance

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

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Group) including special purpose entities as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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



### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basis of consolidation (continued)

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

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

#### Changes in accounting policies and disclosures

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

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

##### *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 and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

##### *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 and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior years.

##### *IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. Though these amendments have not resulted in any additional disclosures currently, the same would continue to be considered for future disclosures.

##### *IFRIC 21 Levies*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

#### Standards issued but not yet effective

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

##### *IFRS 9: Financial Instruments*

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

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Standards issued but not yet effective (continued)

##### *IFRS 9: Financial Instruments (continued)*

measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

##### *IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

##### *IFRS 15: Revenue from Contracts with customers*

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

##### *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. The amendment will impact the net benefit expense as the contributions will be reduced from the service costs.

##### Annual improvements

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

Additional disclosures will be made in the financial statements when these standards, revisions and amendments become effective. The Group, however, expects no material impact from the adoption of the amendments on its financial position or performance

#### 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 statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Business combinations and goodwill (continued)

to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39 it is measured in accordance with the appropriate IFRS.

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

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

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

#### Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

#### Property, plant and equipment

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

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment (continued)

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

#### Projects in progress

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

#### Investment properties

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

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the period of retirement or disposal.

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

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

#### Intangible assets

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

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



### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Intangible assets (continued)

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

#### *Build-own-transfer (“BOT”) projects*

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

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

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

#### *Brand*

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

#### *Goodwill*

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

#### Investment in associates

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

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

#### *a. Equity method*

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

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

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

The financial statements of the associate are prepared for the same reporting period as the Group.

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment in associates (continued)

##### *a. Equity method (continued)*

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

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

##### *b. Measured at fair value*

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

#### Financial assets and liabilities

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

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

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

#### Financial assets

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss includes financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss and investment in associates held through Venture Capital Organisation. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets are designated at fair value through profit or loss if they are managed, and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in consolidated statement of income.

##### *Financial assets available for sale*

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

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial assets (continued)

##### *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.

##### *Bank balances, cash and deposits*

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

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

#### Financial liabilities

##### *Interest bearing loans*

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

##### *Trade and other payables*

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

#### Derecognition of financial assets and liabilities

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

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

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

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

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

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

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

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial assets and liabilities (continued)

##### Offsetting

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

##### Derivative financial instruments and hedge accounting

###### *Initial recognition and subsequent measurement*

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

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

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

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

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

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

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

###### *Fair value hedges*

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

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

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

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



### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Derivative financial instruments and hedge accounting (continued)

##### *Cash flow hedges*

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

##### *Hedges of a net investment*

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

The Group uses interest bearing loans to hedge its exposure to foreign exchange risk on its investments in overseas subsidiaries. Refer to Note 20 for more details.

#### Fair values

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

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

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

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

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

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

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

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair values (continued)

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

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

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

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

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

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

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

#### Inventories

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

#### Impairment

##### *Financial assets*

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

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

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

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment (continued)

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

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

#### Non-financial assets

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

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

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

#### 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.

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at reporting date. All differences are taken to the consolidated statement of income with the exception of differences on foreign currency borrowings accounted for as a hedge of a net investment in foreign operations.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

#### Provisions

A provision is recognised when, and only when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

#### Employees' end of service benefits

##### *Kuwaiti employees*

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

##### *Expatriate employees in Kuwait*

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

##### *International*

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

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

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



### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Employees' end of service benefits (continued)

##### *International (continued)*

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

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

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

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

#### Leases

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

##### *Group as a lessor*

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

##### *Group as a lessee*

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

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

#### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Logistics revenue*

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

##### *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.

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition (continued)

##### *Dividend income*

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

##### **Taxation**

##### *National Labour Support Tax (NLST)*

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

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

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

##### *Zakat*

Contribution to Zakat is calculated at 1% of the taxable profit for the year in accordance with the Ministry of Finance resolution No. 58/2007. As per law, income from associates and subsidiaries, cash dividends received from companies listed in Kuwait Stock Exchange which are subjected to Zakat have been deducted from the profit for the year.

##### *Taxation on overseas subsidiaries*

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

#### **Significant accounting judgments, estimates and assumptions**

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

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

##### *Classification of financial assets*

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

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

##### *Impairment of financial assets available for sale*

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

##### *Operating Lease Commitments – Group as lessor*

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

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Significant accounting judgments, estimates and assumptions (continued)

##### *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 2014 were KD 246,890 thousand and KD 4,721 thousand respectively, (2013: KD 244,360 thousand and KD 4,721 thousand, respectively). More details are given in Notes 9 ,8 and 10.

##### *Valuation of investment properties*

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

##### *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 31 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

### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Estimates and assumptions (continued)*

##### *Pension and other post employment benefits (continued)*

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 19.

##### *Impairment of trade receivables*

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

##### *Valuation of inventories*

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

### 4- GROUP INFORMATION

Principal subsidiaries of the Group are as follows:

Name of company	Ownership % as at 31 December		Country of incorporation
	2014	2013	
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") (see below)	66.48%	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.	100.00%	100.00%	Saudi Arabia
Agility Logistics Private Limited	100.00%	100.00%	India
Agility Logistics GmbH	100.00%	100.00%	Germany
Agility Logistics Limited	100.00%	100.00%	Hong Kong
Agility Logistics International B.V	100.00%	100.00%	Netherland
Agility International Logistics Pte Ltd.	100.00%	100.00%	Singapore
Agility Logistics Holdings Pte Ltd.	100.00%	100.00%	Singapore
Agility Logistics Limited	100.00%	100.00%	United Kingdom
Itatrans Agility Logistica Internacional SA	100.00%	100.00%	Brazil
Agility Project Logistics Pty Ltd.	100.00%	100.00%	Australia
Agility Limited	100.00%	100.00%	Papua New Guinea
Agility Logistics (Shanghai) Ltd.	100.00%	100.00%	China
Agility Logistics AG	100.00%	100.00%	Switzerland
Agility Spain SA	100.00%	100.00%	Spain
Agility AB	100.00%	100.00%	Sweden
Agility Company Ltd	100.00%	100.00%	Thailand

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



#### 4- GROUP INFORMATION (continued)

##### Acquisition of non-controlling interests

During the year, the Group acquired an additional 9.88 % equity interest in MRC, a company registered and listed in Kuwait. Following the acquisition of this additional equity interest, the Group's equity interest in MRC increased to 66.48%.

	<i>KD 000's</i>
Consideration paid to non-controlling shareholders	1,021
Carrying value of the additional equity interest acquired	(2,156)
	<hr/>
Difference recognised in 'other reserve' in equity	(1,135)
	<hr/>

##### 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>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
<i>Summarised statement of income:</i>		
Revenues	15,719	16,702
Cost of revenues	(12,974)	(14,000)
Operating expenses	(2,126)	(2,623)
	<hr/>	<hr/>
EBITDA	619	79
Depreciation and amortisation	(475)	(591)
	<hr/>	<hr/>
EBIT	144	(512)
Interest income	35	40
Finance cost	(160)	(126)
Taxation	(5)	-
	<hr/>	<hr/>
Profit (loss) for the year	14	(598)
	<hr/>	<hr/>
Loss allocated to non-controlling interests	(110)	(81)
	<hr/>	<hr/>
<i>Summarised statement of financial position:</i>		
Non-current assets	27,874	25,507
Current assets	11,734	14,275
Non-current liabilities	(522)	(534)
Current liabilities	(6,481)	(6,657)
	<hr/>	<hr/>
Total equity	32,605	32,591
	<hr/>	<hr/>
Accumulated balances of non-controlling interests	11,754	13,779
	<hr/>	<hr/>
Summarised cash flow information:		
Operating	467	5
Investing	(2,213)	(54)
Financing	(329)	(121)
	<hr/>	<hr/>
	(2,075)	(170)
	<hr/>	<hr/>

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

	<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:					
As at 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 6)	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)
<b>As at 31 December 2013</b>	<b>157,699</b>	<b>76,464</b>	<b>54,402</b>	<b>81,183</b>	<b>369,748</b>
Depreciation:					
As at 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
<b>As at 31 December 2013</b>	<b>(45,719)</b>	<b>(49,084)</b>	<b>(34,170)</b>	<b>(69,986)</b>	<b>(198,959)</b>
Net book value:					
<b>As at 31 December 2013</b>	<b>111,980</b>	<b>27,380</b>	<b>20,232</b>	<b>11,197</b>	<b>170,789</b>

The Parent Company's buildings with a carrying value of KD 3,189 thousand (2013: KD 2,957 thousand) are erected on land leased from the Government of Kuwait for renewable periods ranging from five to twenty years.

## 6- PROJECTS IN PROGRESS

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

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
As at 1 January	25,101	18,898
Additions	4,536	8,232
Transfer to property, plant and equipment (Note 5)	(2,215)	(2,052)
Exchange differences	19	23
As at 31 December	<u>27,441</u>	<u>25,101</u>

## 7- INVESTMENT PROPERTIES

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
As at 1 January	213,642	214,590
Additions	6,918	3,835
Disposals	-	(5,200)
Change in fair value	16,629	417
As at 31 December	<u>237,189</u>	<u>213,642</u>

The Group has classified certain commercial properties held under long term operating leases as investment properties. All investment properties are located in Kuwait.

The fair values of investment properties as at 31 December 2014 and 31 December 2013 were determined by independent valuers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on market approach. In estimating the fair values of the properties, the highest and the best use of the properties is their current use. There has been no change to the valuation techniques during the year. The fair value of investment properties is measured under the Level 3 fair value hierarchy.

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

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

A 5% increase or decrease in the estimated market price (per sqm) will increase or reduce the value of the investment properties by KD 11,748 thousand (2013 : KD 8,058 thousand).

**8- 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>
<b>Cost:</b>				
As at 1 January 2014	34,258	7,271	4,721	46,250
Additions	184	-	-	184
<b>As at 31 December 2014</b>	<b>34,442</b>	<b>7,271</b>	<b>4,721</b>	<b>46,434</b>
<b>Accumulated amortisation:</b>				
As at 1 January 2014	(4,926)	(4,168)	-	(9,094)
Charge for the year	(3,143)	(498)	-	(3,641)
<b>As at 31 December 2014</b>	<b>(8,069)</b>	<b>(4,666)</b>	<b>-</b>	<b>(12,735)</b>
<b>Net book value:</b>				
<b>As at 31 December 2014</b>	<b>26,373</b>	<b>2,605</b>	<b>4,721</b>	<b>33,699</b>
	<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>
<b>Cost:</b>				
As at 1 January 2013	34,140	7,271	4,721	46,132
Additions	118	-	-	118
<b>As at 31 December 2013</b>	<b>34,258</b>	<b>7,271</b>	<b>4,721</b>	<b>46,250</b>
<b>Accumulated amortisation:</b>				
As at 1 January 2013	(1,815)	(3,670)	-	(5,485)
Charge for the year	(3,111)	(498)	-	(3,609)
<b>As at 31 December 2013</b>	<b>(4,926)</b>	<b>(4,168)</b>	<b>-</b>	<b>(9,094)</b>
<b>Net book value:</b>				
<b>As at 31 December 2013</b>	<b>29,332</b>	<b>3,103</b>	<b>4,721</b>	<b>37,156</b>

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 10).



## 9- GOODWILL

	<i>2014</i>	<i>2013</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Cost:		
As at 1 January	271,578	275,336
Exchange differences	2,530	(3,758)
As at 31 December	<u>274,108</u>	<u>271,578</u>
Impairment:		
As at 1 January and 31 December	(27,218)	(27,218)
Net carrying value	<u>246,890</u>	<u>244,360</u>

The goodwill is subject to impairment testing on an annual basis (Note 10).

## 10- 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>2014</i>	<i>2013</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Cash generating units:		
Global Integrated Logistics	225,012	222,308
Infrastructure	21,878	22,052
<b>Total</b>	<u>246,890</u>	<u>244,360</u>

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 2015 and assuming an average annual growth rate of 3.8% (2013: 3.7%) 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% (2013: 10%) and cash flows beyond the 5 year period are extrapolated using a growth rate of 3% (2013: 3%). As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

### Key assumptions used in value in use calculations

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

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

### Sensitivity to changes in assumptions

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

## 10- IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIFE (continued)

### Intangible asset with indefinite life

Intangible asset with indefinite life of KD 4,721 thousand (2013: 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.

## 11- INVESTMENT IN ASSOCIATES

During the year, a subsidiary of the Group acquired an additional 3.02% equity interest in Gulf Warehousing Company Q.S.C. ("GWC") engaged in providing logistic services (set up, establishment and management of all types of warehouses for storage) and freight forwarding services in Qatar, (previously classified as a financial asset at fair value through profit or loss) (Note 12), for a purchase consideration of KD 5,294 thousand. As a result, the Group's equity interest in GWC increased from 18.09% to 21.11% and accordingly, the investment in GWC has been classified as investment in an associate and accounted for under the equity method.

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

	<i>2014</i>
	<i>KD 000's</i>
At the beginning of the year	2,333
Reclassified from financial asset at fair value through profit or loss (Note 12)	28,698
Addition (see below)	5,294
Share of results	2,136
Dividend received	(1,110)
Foreign currency translation adjustments	(169)
	<hr/>
At the end of the year	37,182 <hr/>
	 <i>2014</i>
	<i>KD '000s</i>
<b>Summarised information of GWC statement of financial position:</b>	
Current assets	33,555
Non-current assets	135,462
Current liabilities	(19,015)
Non-current liabilities	(80,157)
	<hr/>
Equity	69,845 <hr/>
Proportion of the Group's ownership	21.11% <hr/>
Group's share in the equity of GWC	14,744
Goodwill on acquisition	20,034
Carrying value of GWC	34,778
Carrying value of other associates	2,404
	<hr/>
	37,182 <hr/>
<b>Summarised information of GWC statement of income:</b>	
Revenue	54,028
Profit for the year of GWC	11,255 <hr/>

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

**12- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Investment in an associate – outside Kuwait	105,148	101,401
Quoted equity securities:		
- In Kuwait	36	36
- Outside Kuwait*	-	27,774
	<u>105,184</u>	<u>129,211</u>

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. The Group's management was unable to determine the fair value of this investment as at 31 December 2014 due to the certain inherent uncertainties and accordingly the investment is carried at its fair value as at 31 December 2013 of US Dollars 359 Million equivalent to KD 105,148 thousand (2013: KD 101,401 thousand).

As at 31 December 2014, interest bearing loan provided by the Group to Korek Telecom amounted to KD 29,289 thousand (2013: KD 28,246 thousand) (Note 28).

\*During the year investment in Gulf Warehousing Company Q.S.C. ("GWC") has been classified as investment in associate following the acquisition of additional equity interest by the Group (Note 11).

**13- FINANCIAL ASSETS AVAILABLE FOR SALE**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Unquoted equity securities:		
- In Kuwait	17,732	17,617
- Outside Kuwait	6,195	5,021
	<u>23,927</u>	<u>22,638</u>

Certain unquoted equity securities amounting to KD 20,277 thousands (2013: KD 20,320 thousands) are carried at cost, less impairment, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments.

The Management has performed a review of its unquoted equity securities to assess whether impairment has occurred in the value of these investments and recorded an impairment loss of KD 196 thousands (2013: 2,765 thousand) in the consolidated statement of income. Management is of the view that no further impairment provision is required as at 31 December 2014 in respect of these investments.

**14- INVENTORIES**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Goods for resale	19,893	15,171
Provision for obsolete and slow moving inventories	(198)	(46)
	<u>19,695</u>	<u>15,125</u>

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 159 thousand (2013: KD 18 thousand) which is recognised in the cost of revenues in the consolidated statement of income.

**15- TRADE RECEIVABLES**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Gross trade receivables	327,284	308,066
Provision for impairment	(56,682)	(51,881)
	<u>270,602</u>	<u>256,185</u>

The carrying amount of the trade receivables largely corresponds to their fair values. As at 31 December 2014, trade receivables amounting to KD 56,682 thousand (2013: KD 51,881 thousand) were considered impaired and fully provided for.

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

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
As at 1 January	51,881	51,209
Charge for the year (Note 23)	5,593	2,283
Amounts written off	(1,983)	(1,972)
Others (including exchange differences)	1,191	361
As at 31 December	<u>56,682</u>	<u>51,881</u>

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

	<i>Neither past</i>	<i>Past due but not impaired</i>					<i>Total</i>
	<i>due nor</i>	<i>&lt; 30</i>	<i>30 to 60</i>	<i>60 to 90</i>	<i>90 to 120</i>	<i>&gt; 120</i>	
	<i>impaired</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>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>
<b>2014</b>	<b>147,179</b>	<b>51,660</b>	<b>19,531</b>	<b>17,993</b>	<b>15,538</b>	<b>18,701</b>	<b>270,602</b>
2013	165,807	40,836	17,927	10,943	9,730	10,942	256,185

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.



**16- OTHER CURRENT ASSETS**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Prepaid expenses	27,674	25,613
Advances to suppliers	10,694	12,214
Claims in dispute [Note 27 (b)]	10,092	10,092
Deposits	7,723	6,289
Advance to a related party (Note 28)	6,055	5,000
Jobs in progress	2,452	3,827
Sundry receivables	2,422	2,669
Other claims receivables	1,918	1,603
Staff receivables	1,506	1,208
Accrued income	1,975	257
Other	2,465	4,435
	<u>74,976</u>	<u>73,207</u>

**17- BANK BALANCES, CASH AND DEPOSITS**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Cash at banks and on hand	76,709	70,070
Short term deposits	<u>20,279</u>	<u>17,476</u>
<b>Cash and cash equivalents</b>	96,988	87,546
Deposits with original maturities exceeding three months	36,609	65,190
	<u>133,597</u>	<u>152,736</u>

Included in bank balances and cash are balances amounting to KD 48,368 thousand (2013: KD 77,510 thousand) held by banks in Kuwait whereas the balance of KD 85,229 thousand (2013: KD 75,226 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% to 2% per annum (2013: 1.25% to 1.5% per annum).

Included in bank balances and cash are balances denominated in foreign currencies amounting to KD 87,320 thousand (2013: KD 74,345 thousand), mainly in US Dollars, UAE Dirhams, Euro and SGD.

**18- SHARE CAPITAL, RESERVES AND DIVIDEND****a) Share capital**

	<i>Number of shares</i>		<i>Amount</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
			<i>KD '000s</i>	<i>KD '000s</i>
Authorized, issued and fully paid up shares of 100 fils each	<u>1,154,137,464</u>	<u>1,099,178,539</u>	<u>115,414</u>	<u>109,918</u>

**18- SHARE CAPITAL, RESERVES AND DIVIDEND (continued)**

On 5 June 2014, the shareholders at the extraordinary general assembly meeting of the Parent Company, approved the increase in authorised share capital from 1,099,178,539 shares to 1,154,137,464 shares (nominal value of each share is 100 fils) by way of bonus shares.

The issue of bonus shares resulted in an increase in the issued and paid up share capital by 54,958,925 shares from 1,099,178,539 shares as at 31 December 2013 to 1,154,137,464 shares.

**b) Share premium**

The share premium is not available for distribution.

**c) Statutory reserve**

In accordance with the Companies Law, as amended, and the Parent Company's Articles of Association, the Parent Company has resolved not to increase the statutory reserve above an amount equal to %50 of its paid up share capital. Accordingly, 5.15% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to statutory reserve.

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

**d) Treasury Shares**

	2014	2013
Number of treasury shares	<u>58,377,670</u>	<u>55,591,985</u>
Percentage of issued shares	<u>5.06%</u>	<u>5.06%</u>
Market value in KD 000's	<u>43,199</u>	<u>38,914</u>

**e) Dividend**

On 29 March 2015 Board of Directors of the Parent Company recommended a cash dividend of 35 fils per share (2013: 40 fils per share) and bonus shares of 5% (2013: 5%) in respect of the year ended 31 December 2014. This proposal is subject to approval by the shareholders at the Annual General Assembly of the Parent Company.

Dividends amounting to KD 41,744 thousand in respect of the year ended 31 December 2013 were approved in the Annual General Assembly of shareholders held on 22 May 2014.

**18- SHARE CAPITAL, RESERVES AND DIVIDEND (continued)****f) Other comprehensive income**

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

	<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>
<b>2014:</b>						
Financial assets available for sale:						
- Net changes in fair value of financial assets available for sale	-	-	(79)	-	-	(79)
- Transferred to consolidated income statement on impairment	-	-	196	-	-	196
Net loss on hedge of net investments (Note 20)	-	(563)	-	-	-	(563)
Net loss on cash flow hedge	-	(2,810)	-	-	-	(2,810)
Foreign currency translation adjustments	10,136	-	-	-	450	10,586
Re-measurement losses on defined benefit plans	-	-	-	(5,581)	-	(5,581)
	<u>10,136</u>	<u>(3,373)</u>	<u>117</u>	<u>(5,581)</u>	<u>450</u>	<u>1,749</u>

	<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>
<b>2013:</b>						
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 (Note 20)	-	(53)	-	-	-	(53)
Foreign currency translation adjustments	(8,628)	-	-	-	(2,974)	(11,602)
Re-measurement (losses) gains on defined benefit plans	-	-	-	4,753	-	4,753
	<u>(8,628)</u>	<u>(53)</u>	<u>65</u>	<u>4,753</u>	<u>(2,974)</u>	<u>(6,837)</u>

**19- PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Defined benefit plans	24,180	21,196
Other benefit plans	12,758	11,285
As at 31 December	<u>36,938</u>	<u>32,481</u>

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

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
As at 1 January	32,481	36,039
Provided during the year	9,509	9,062
Paid during the year	(9,865)	(8,042)
Actuarial loss (gain) in respect of defined benefit plans	5,581	(4,753)
Others (including exchange differences)	(768)	175
As at 31 December	<u>36,938</u>	<u>32,481</u>

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

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

2014 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							Others (including exchange differences)	31 December 2014	
	1 January 2014	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
	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	(111,471)	(1,133)	(3,489)	(4,622)	5,305	-	566	(14,220)	3,345	(10,309)	-	4,709	(116,388)
Fair value of plan Assets	90,275	-	2,800	2,800	(4,740)	4,728	-	-	-	4,728	3,251	(4,106)	92,208
Benefit liability	(21,196)	(1,133)	(689)	(1,822)	565	4,728	566	(14,220)	3,345	(5,581)	3,251	603	(24,180)



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

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)

\* excluding amount included in net interest.

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

The actual return on plan assets for the year ended 31 December 2014 was KD 7,527 thousand (2013: KD 5,698 thousand).

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

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Quoted investments		
- Equity	37,431	42,000
- Bonds	28,497	25,738
Unquoted investments		
- Real Estate	14,162	14,555
- Insurance Policies	9,025	2,950
- Others	3,093	5,032
	92,208	90,275

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>2014</i>	<i>2013</i>
Discount rate at 31 December	2.53%	3.44%
Expected rate of increase of employee remuneration	2.32%	2.40%
Future pension increase	1.48%	1.43%
Life expectation for pensioners at the age of 65 (years)	22	24

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

	<i>Impact on the net defined benefit obligations KD 000's</i>
Discount rate	
- 1% increase	(15,405)
- 1% decrease	18,887
Expected rate of increase of employee remuneration	
- 1% increase	630
- 1% decrease	(658)
Future pension cost increase	
- 1% increase	13,731
- 1% decrease	(6,437)
Life expectancy	
- increase by 1 year	3,779
- decrease by 1 year	(3,814)

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

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

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Within the next 12 months	2,704	2,897
Between 2 and 5 years	10,347	11,007
Between 5 and 10 years	13,364	13,956
Beyond 10 years	28,634	33,200
	<u>55,049</u>	<u>61,060</u>

The average duration of the defined benefit plan obligation at the end of the reporting period is 14 years (2013: 14 years).

**20- INTEREST BEARING LOANS**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Committed Term Loan obtained from local bank and its repayable in annual instalments commencing from December 2011	15,816	15,296
Committed Term Loan obtained from local bank in December 2012 and is repayable in annual instalments commencing from April 2013	22,000	24,500
Other loans	35,505	30,467
	<u>73,321</u>	<u>70,263</u>

*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 69,467 thousand (2013: KD 62,190 thousand) carry margin ranging from 0.3% to 4% per annum (2013: 1% to 7.4% per annum) over the benchmark rates.

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

	<i>Current portion</i> KD 000's	<i>Non-current portion</i> KD 000's	<i>Total</i> KD 000's
Kuwaiti Dinars	8,430	19,231	27,661
US Dollars	21,293	1,380	22,673
Hong Kong Dollar	6,657	-	6,657
Chinese Yuan	1,158	4,229	5,387
Australian Dollars	3,417	-	3,417
Euro	2,259	-	2,259
Philippines Peso	1,321	-	1,321
Others	2,582	1,364	3,946
<b>At 31 December 2014</b>	<u>47,117</u>	<u>26,204</u>	<u>73,321</u>
 At 31 December 2013	<u>33,306</u>	<u>36,957</u>	<u>70,263</u>

**20- INTEREST BEARING LOANS (continued)**

Included in interest bearing loans are loans amounting to KD 24,993 thousand (2013: KD 27,122 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 22,000 thousand (2013: KD 24,500 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 2014 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 563 thousand (2013: KD 53 thousand) was taken to other comprehensive income (hedging reserve).

**21- OTHER NON-CURRENT LIABILITIES**

	<i>2014</i>	<i>2013</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Lease obligations	4,743	4,544
Amounts due to related parties (Note 28)	16,337	14,900
Other liabilities	8,989	9,609
	<u>30,069</u>	<u>29,053</u>

**22- TRADE AND OTHER PAYABLES**

	<i>2014</i>	<i>2013</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Trade payables	194,779	180,536
Accrued expenses	97,197	91,961
Accrued employee related expenses	36,847	37,837
NLST payable	13,709	12,562
Taxation on overseas subsidiaries	5,776	5,173
Zakat payable	5,044	4,577
Lease obligations	527	1,219
KFAS payable	1,284	1,029
Amounts due to related parties (Note 28)	219	173
Directors' remuneration	140	144
Other liabilities	37,343	41,055
	<u>392,865</u>	<u>376,266</u>

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

**23- GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Salaries	171,585	169,926
Employee benefits	17,972	16,271
Rent	27,113	26,229
Professional fees	27,517	20,918
Repairs and maintenance	17,390	17,047
Facilities management	8,750	8,795
Communication	6,535	6,949
Travel	6,598	6,506
Insurance	4,010	3,979
Office supplies	2,568	2,775
Restructuring expenses	1,313	2,424
Provision for impairment of trade receivables (Note 15)	5,593	2,283
Bank charges	1,116	1,198
Advertising	989	1,079
Other expenses	16,597	18,525
	<u>315,646</u>	<u>304,904</u>

**24- TAXATION**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
NLST	1,330	1,209
Contribution to KFAS	505	457
Zakat	532	484
Taxation on overseas subsidiaries	7,648	7,518
	<u>10,015</u>	<u>9,668</u>

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

**25- 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>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i> <i>(Restated)</i>
Profit for the year attributable to equity holders of the Parent Company	<u>50,838</u>	<u>46,206</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of paid up shares	1,154,137,464	1,154,137,464
Weighted average number of treasury shares	(58,377,670)	(58,377,670)
Weighted average number of outstanding shares	<u>1,095,759,794</u>	<u>1,095,759,794</u>
Basic and diluted earnings per share - attributable to equity holders of the Parent Company	<u>46.40 fils</u>	<u>42.17 fils</u>

As there are no dilutive instruments outstanding, basic and diluted earning per share are identical. Basic and diluted earnings per share for the comparative period presented have been restated to reflect the issue of bonus shares during the year (Note 18).



## 26- DERIVATIVE FINANCIAL INSTRUMENTS

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

### *Derivatives held for trading*

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

### *Forward foreign exchange contracts*

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

### *Interest rate swaps*

Interest rate swaps are contractual agreements between two counter-parties to exchange interest payments on a defined principal amount for a fixed period of time in order to manage the interest rate risk on the interest bearing assets and liabilities.

### *Derivatives held as cash flow hedges*

During the year, the Group designated certain interest rate swaps to hedge interest rate risk with the maximum notional amount of KD 38,195 thousands as hedging instruments in respect of a debt transaction that was consummated subsequent to the reporting date.

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

				Notional amounts by term to maturity	
	Positive fair value KD 000's	Negative fair value KD 000's	Notional amount KD 000's	Within one year KD 000's	1 – 5 years KD 000's
2014					
Derivatives held for trading:					
Forward foreign exchange contracts	25	-	7,482	7,482	-
Derivative held as cash flow hedges:					
Interest rate swaps	-	(2,810)	38,195	4,792	33,403
2013					
Derivatives held for trading:					
Forward foreign exchange contracts	3	-	5,108	5,108	-

**27- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Letters of guarantee	113,042	91,046
Operating lease commitments	32,564	34,838
Capital commitments	4,155	3,846
	<u>149,761</u>	<u>129,730</u>

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

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Within one year	10,632	9,521
After one year but not more than five years	19,575	21,736
More than five years	2,357	3,581
	<u>32,564</u>	<u>34,838</u>

Included in letters of guarantee are bank guarantees of KD 31,405 thousand (2013: 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, certain subsidiaries were named as defendants 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 September 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 one of the subsidiaries be dismissed from the TAC and that plaintiffs be permitted to add another subsidiary as a defendant. Accordingly summons were served on the subsidiary on 4 February 2014. On 25 April 2014, the subsidiaries reached a preliminary agreement with the plaintiffs to settle the claims for USD 16,000 thousand (KD 4,686 thousand) and entered in to a settlement agreement. On 15 December 2014, the settlement agreement was submitted to the District Court for approval which was approved by the court on 18 December 2014.

On 26 November 2009, the Italian Competition Authority (ICA) opened an investigation into the activities of some 20 freight forwarding companies including Agility's subsidiary in Italy. The ICA issued its final decision on 15 September 2011, imposing a total fine of 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.

## 27- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

### Legal claims (continued)

#### a) Freight forwarding business – investigation (continued)

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 filed proceedings before the Brazilian court on 18 February 2014 requesting that the service of process be declared null. The Court is yet to pronounce its judgment.

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 2014, due to inherent uncertainty surrounding these investigations, the Group’s management (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigations and in view of the difficulty in quantifying any additional potential liabilities in this regard, no provision is recorded in the consolidated financial statements.

#### b) Guarantee encashment

A Resolution was issued by the General Administration of Customs for Kuwait (“GAC”) to cash a portion, amounting to KD 10,092 thousand of the bank guarantee submitted by Global Clearing House Systems K.S.C. (Closed) (the “Company”), a subsidiary of the Parent Company, in favour of GAC in relation to performance of a contract. Pursuant to this resolution, GAC called the above guarantee during the year ended 31 December 2007. The Company appealed against the Resolution at the Court of First Instance through case No. 224/2007 “Administrative – 7” and on 15 June 2014, the Court of First Instance issued its ruling in favour of the Company and directed GAC to pay an amount of KD 58,927 thousand as compensation against non-performance of its obligations under the contract and KD 9,138 thousand towards refund of the guarantee encashed earlier, together with an interest of 7% per annum on these amounts.

The Company has filed an appeal against this ruling (through case No. 1923/2014 Administrative – 4) as it believes, based on the advice of its external legal counsel, that it is entitled to additional compensation from GAC. GAC has also filed an appeal to annul the decision of the Court of First Instance.

In 2013, GAC had filed a separate 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 Court has not yet issued its ruling in respect of this claim. 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 statement of income.

#### c) KGL Litigation

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

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

## 28- RELATED PARTY TRANSACTIONS

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:

	<i>Major shareholders</i>	<i>Other related parties</i>	<i>Total</i>
<b>2014</b>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b><i>Consolidated statement of income</i></b>			
Revenues	-	998	998
Interest income	-	3,243	3,243
General and administrative expenses	(79)	(55)	(134)
Finance costs	-	(959)	(959)
<b><i>Consolidated statement of financial position:</i></b>			
Advance to a related party (Note 16)	6,055	-	6,055
Amounts due from related parties	-	47	47
Loan to an associate (Note 12)	-	29,289	29,289
Amounts due to related parties (Notes 21 and 22)	219	16,337	16,556
<b>2013</b>			
<b><i>Consolidated statement of income</i></b>			
Revenues	-	994	994
Interest income	-	3,247	3,247
General and administrative expenses	98	43	141
Finance costs	-	928	928
<b><i>Consolidated statement of financial position:</i></b>			
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

Advance to a related party amounting to KD 6,055 thousand (2013: 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 (2013: 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:

	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Short-term benefits	<b>3,161</b>	<b>2,802</b>

Short term benefits include discretionary bonus amounting to KD 1,547 thousand (2013: KD 1,384 thousand) awarded to key management personnel.

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## 29- OPERATING SEGMENT INFORMATION

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

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

- **Logistics and Related Services;**

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

- **Infrastructure**

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

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



**29- OPERATING SEGMENT INFORMATION (continued)**

Year ended 31 December 2013	<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	1,125,493	250,199	-	1,375,692
Inter-segment	253	6,938	(7,191)	-
Total revenues	<u>1,125,746</u>	<u>257,137</u>	<u>(7,191)</u>	<u>1,375,692</u>
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				<u>53,049</u>
Total assets	<u>717,750</u>	<u>850,009</u>	<u>(155,497)</u>	<u>1,412,262</u>
Total liabilities	<u>886,664</u>	<u>604,339</u>	<u>(975,376)</u>	<u>515,627</u>
Other disclosures:				
Goodwill (Note 9)	222,308	22,052	-	244,360
Intangible assets (Note 8)	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

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.

**29- OPERATING SEGMENT INFORMATION (continued)****Geographic information**

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

	<i>2014</i>	<i>2013</i>
<i>Revenue from external customers</i>	<i>KD 000's</i>	<i>KD 000's</i>
Middle East	333,579	262,342
Europe	378,924	374,700
Asia	392,318	467,673
America	191,200	213,832
Africa	61,326	57,145
	<u>1,357,347</u>	<u>1,375,692</u>

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

	<i>2014</i>	<i>2013</i>
<i>Non-current assets</i>	<i>KD 000's</i>	<i>KD 000's</i>
Middle-East	484,413	453,003
Europe	45,085	46,936
Asia	179,310	174,980
America	29,911	31,026
Africa	19,283	20,684
Unallocated	66,362	36,531
	<u>824,364</u>	<u>763,160</u>

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.

**30- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

**30- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Risk mitigation**

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

**Excessive risk concentration**

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

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

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

**Credit risk**

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

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 2014 and 2013 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:

	<i>2014</i>	<i>2013</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Bank balances	133,597	152,736
Trade receivables	270,602	256,185
Loan to an associate	29,289	28,246
Other receivables	38,904	40,896
	<u>472,392</u>	<u>478,063</u>

**30- 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:

<b>Financial liabilities</b>	<i>Less than 1 month KD 000's</i>	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>1 to 5 years KD 000's</i>	<i>Total KD 000's</i>
<b>2014</b>					
Interest bearing loans	16,607	5,032	28,509	29,014	79,162
Trade and other payables	32,683	65,366	294,816	-	392,865
Other non-current liabilities	-	-	-	30,069	30,069
<b>Total financial liabilities</b>	<b>49,290</b>	<b>70,398</b>	<b>323,325</b>	<b>59,083</b>	<b>502,096</b>
<b>2013</b>					
Interest bearing loans	-	867	35,430	46,786	83,083
Trade and other payables	31,355	62,710	282,201	-	376,266
Other non-current liabilities	-	-	-	29,981	29,981
<b>Total financial liabilities</b>	<b>31,355</b>	<b>63,577</b>	<b>317,631</b>	<b>76,767</b>	<b>489,330</b>

**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 2014 and 2013.

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.

**30- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Market risk (continued)****Interest rate risk (continued)***Interest rate sensitivity*

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

*50 basis points movement  
Effect on consolidated statement  
of income*

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
US Dollars	<b>359</b>	98

**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 20).

*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 %*

	<i>Effect on other comprehensive income</i>	<i>Effect on consolidated statement of income</i>
	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
US Dollars	<b>2,635</b>	2,506
	<b>29</b>	3

**Equity price risk**

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

**Quoted Securities:**

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

**Unquoted securities:**

Sensitivity analysis relating to Group's unquoted securities (financial assets available for sale and financial assets at fair value through profit or loss) is included in Note 31.



### 31- 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:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>
	<i>KD'000</i>	<i>KD'00</i>	<i>KD'000</i>	<i>KD'000</i>
<b>2014</b>				
<b><i>Financial assets at fair value through profit or loss:</i></b>				
Investment in an associate*	-	-	105,148	105,148
Quoted equity securities	36	-	-	36
	<u>36</u>	<u>-</u>	<u>105,148</u>	<u>105,184</u>
<b><i>Financial assets available for sale:</i></b>				
Unquoted equity securities	-		3,650	3,650
<b><i>Derivative:</i></b>				
Forward foreign exchange contracts – US Dollars	-	25	-	25
	<u>36</u>	<u>25</u>	<u>108,798</u>	<u>108,859</u>
<b>2013</b>				
<b><i>Financial assets at fair value through profit or loss:</i></b>				
Investment in an associate*	-	-	101,401	101,401
Quoted equity securities	27,810	-	-	27,810
	<u>27,810</u>	<u>-</u>	<u>101,401</u>	<u>129,211</u>
<b><i>Financial assets available for sale:</i></b>				
Unquoted equity securities	-	-	2,318	2,318
<b><i>Derivative:</i></b>				
Forward foreign exchange contracts – US Dollars	-	3	-	3
	<u>27,810</u>	<u>3</u>	<u>103,719</u>	<u>131,532</u>

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

There were no transfers between the hierarchies during 2014 and 2013.

**31- FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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

	<i>At 1 January 2014</i>	<i>Loss recorded in the consolidated statement of income</i>	<i>Gain recorded in consolidated statement of comprehensive income</i>	<i>Others including net purchases (sales)</i>	<i>At 31 December 2014</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Assets measured at fair value</b>					
<i>Financial assets at fair value through profit or loss:</i>					
Investment in an associate	101,401	-	-	3,747	105,148
<i>Financial assets available for sale:</i>					
Unquoted equity securities	2,318	-	117	1,215	3,650
	<u>103,719</u>	<u>-</u>	<u>117</u>	<u>4,962</u>	<u>108,798</u>
	<i>At 1 January 2013</i>	<i>Gain (loss) recorded in the consolidated statement of income</i>	<i>Gain recorded in consolidated statement of comprehensive income</i>	<i>Others including net purchases (sales)</i>	<i>At 31 December 2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Assets measured at fair value</b>					
<i>Financial assets at fair value through profit or loss:</i>					
Investment in an associate	94,741	6,298	-	362	101,401
Derivative financial instrument	2,467	(2,467)	-	-	-
<i>Financial assets available for sale:</i>					
Unquoted equity securities	-	-	65	2,253	2,318
	<u>97,208</u>	<u>3,831</u>	<u>65</u>	<u>2,615</u>	<u>103,719</u>

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

***Financial assets at fair value through profit or loss:***

The Group's management was unable to determine the fair value of the investment in an associate as at 31 December 2014 due to certain inherent uncertainties and accordingly the investment is carried at its fair value as at 31 December 2013 (Note 12).

***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.

### 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 2014 and 31 December 2013.

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

	<i>2014</i> <i>KD 000's</i>	<i>2013</i> <i>KD 000's</i>
Interest bearing loans	73,321	70,263
Bank balances, cash and deposits	<u>(133,597)</u>	<u>(152,736)</u>
Net cash	<u>(60,276)</u>	<u>(82,473)</u>
Equity attributable to the equity holders of the Parent Company	889,070	877,526
Less: Investment revaluation reserve	<u>(197)</u>	<u>(80)</u>
Capital	<u><u>888,873</u></u>	<u><u>877,446</u></u>

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