



Annual Report 2012

*“Our financial results have shown **strong** gains in the last two years, despite global economic uncertainty.”*

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“*Agility is a company that believes in going above and beyond for its customers and its communities.*”

Board of Directors

Tarek Abdul Aziz Sultan Al-Essa
Chairman & Managing Director

Adel Mohammed Bader Al-Bader
Vice Chairman

Jameel Sultan Al-Essa
Board Member

Ayman Bader Sultan Al-Essa
Board Member

Naser Mohammed Fahed Al-Rashed
Board Member

Essam Khalil Mohammed Al-Rifae
Board Member

Henadi Anwar Essa Al-Saleh
Board Member

Chairman's Message



Dear Shareholders,

We have worked hard in the past few years to refocus the company and outline a vision for the future, and we are starting to reap the results.

We identified 2011 as a baseline year for the company, since then, we have seen double digit improvement in EBITDA and profitability in 2012, while continuing to invest strategically in the business and maintaining a healthy balance sheet. These achievements are particularly important given the ongoing weakness of the global economy.

Financial Highlights

For the full year ended December 31, 2012, net profits stand at KD 34.3 million, or 34.42 fils per share; an increase of 27% and 28% respectively over the full year of 2011. Revenues increased by 7% to KD 1.4 billion.

The Board of Directors met and proposed a dividend distribution of 30% cash and 5% bonus shares for fiscal year 2012.

The Board of Directors also approved a forward looking minimum dividend policy recommendation of 30 fils per share cash distribution for the fiscal years 2013, 2014, and 2015.

Agility Global Integrated Logistics (GIL)

Revenue for Agility Global Integrated Logistics (GIL) for the full year 2012 was KD 1.18 billion, an increase of 2.2% from FY 2011.

GIL has shown an improvement in its operational and financial performance during 2012. This has been driven by focused execution of its core strategy: to leverage its global footprint and market-leading

“Agility is strong, stable, and on a growth trajectory following major restructuring in the last couple of years.”

position in emerging markets; grow business with existing and new customers; concentrate on key global accounts and strategic trade lanes; maintain financial discipline; and achieve productivity gains through technological transformation.

Agility's GIL business will to some extent always be tied to the global economy and trade volumes; which continue to be volatile. That said, our approach is to focus on what we can control. Our goal is to realize GIL's full potential over the next three to five years, by maintaining our momentum when it comes to executing against our core strategy. Although we still have work ahead, GIL has made significant progress in becoming a more efficient, productive, and customer-focused business. GIL's competitive advantage going forward is its strong platform in emerging markets, which continue to drive global growth.

Infrastructure Group

Agility's Infrastructure companies contributed KD 243 million to full year 2012 revenue, a 19% increase over 2011.

Agility's Infrastructure companies continue to occupy profitable niches in the marketplace; serving as a healthy hedge against volatility in the global economy because they are in relatively stable, high-growth sectors in emerging markets.

Agility's Real Estate business remains the main contributor to the Infrastructure group. By focusing on revenue enhancement and improving utilization, Agility Real Estate has grown its revenues by 12% in 2012. Other entities within Agility's Infrastructure portfolio have also shown growth over the last several years, and the company is taking a number of actions to further enhance the potential of these companies.

Agility remains open to investing in businesses that are operationally and financially healthy, under its Infrastructure portfolio. In 2012, this took the form of the acquisition of United Projects for Aviation Services (UPAC), in which Agility acquired an 88.2% stake. UPAC manages commercial real estate at the Kuwait International Airport and various ground handling and maintenance services at the private terminal of the airport.

Our Culture and Giving Back

We are proud of the fact that we are making difference in every community where we do business, through the ongoing commitment of our people.

In 2012, Agility volunteers in 60-plus countries launched more than 120 community projects. They built schools in Cambodia, Indonesia and Sri Lanka, raised money for underprivileged children in the Americas and Europe, and helped kids access education and entrepreneurship opportunities in the Middle East. Our team on the ground in South Sudan helped the International Medical Corps get aid relief to more than 480,000 people living in refugee camps.

In terms of sustainability, we mapped the carbon footprint in over 70% of our operations for the first time. We are also doing pioneering work with customers to green their supply chains. With one of the world's largest telecommunication providers, for example, we are consolidating goods in transit to achieve significant cost savings and a 6%-9% reduction in emissions in their global air freight shipments.

What we're doing is good for our customers and good for our business. It strengthens the communities where we work, works towards a cleaner planet and adds to the sense of pride and collective spirit among our employees. It's part of our company culture of taking personal ownership, delivering personal service, and going above and beyond.

Future Outlook

We are building a business that is strong and stable, by anyone's measure.

Our strategy going forward is two-fold: within Agility's core Global Integrated Logistics (GIL) business, it is to realize value by focusing on executing our commercial strategy, maintaining financial discipline, and accelerating technological transformation to drive productivity and customer-service. Within the Infrastructure group of companies, our strategy is to grow the individual potential of our portfolio companies.

Throughout this process to drive ongoing improvement, we will continue to remain focused on our customers. Efficient, personal, customized partnership, especially in emerging markets, is the bedrock of our business.

Finally, I would like to thank our shareholders for their continuous support and recognize our employees who define our character, our performance, and the specialized knowledge that differentiates us as a company.

Tarek Abdul Aziz Sultan
Chairman & Managing Director

Auditor’s Report



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INDEPENDENT AUDITORS’ REPORT TO THE SHAREHOLDERS OF THE PUBLIC WAREHOUSING COMPANY - K.S.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Agility Public Warehousing Company K.S.C. (the “Parent Company”) and its subsidiaries (collectively the “Group”), which comprise the consolidated statement of financial position as of 31 December 2012, and the consolidated income statement, and the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Managements’ Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

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

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

Basis of Qualified Opinion

As further discussed in Note 28 (c) to the consolidated financial statements, during the year ended 31 December 2006, a performance guarantee amounting to KD 10.1 million was called by a counterparty in relation to non performance of obligations under a contract operated by a subsidiary of the Parent Company and encashed during the year ended 31 December 2007. We have qualified our audit opinions in this regard on the consolidated financial statements since 31 December 2006. In 2009, the expert department of the Ministry of Justice issued a report on this matter which stated that the verdict should be issued in favour of the subsidiary in respect of most of the issues arising from the case. Pending final court ruling on this matter, in our opinion, other current assets should be decreased by KD 10.1 million and retained earnings attributable to the equity holders of the Parent Company should be decreased by KD 6.1 million and non-controlling interests should be decreased by KD 4.0 million.



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INDEPENDENT AUDITORS’ REPORT TO THE SHAREHOLDERS OF THE PUBLIC WAREHOUSING COMPANY K.S.C. (continued)

Qualified Opinion

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

Emphasis of matter

We draw attention to:

- i) Note 2 to the consolidated financial statements which describes that the Parent Company was indicted by a federal grand jury in the United States of America (“US”) on multiple counts of False Claims Act Violations. Furthermore, the United States Department of Justice also joined a civil qui tam lawsuit against the Parent Company under the False Claims Act. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings. The Group Companies (including the Parent Company) are suspended from bidding for new contracts with the US Government pending the outcome of the cases. The Group is also engaged in settlement discussions with the US Department of Justice. The ultimate outcome of these matters cannot presently be determined, and therefore no provision has been made in the consolidated financial statements; and
- ii) Note 28 (a) to the consolidated financial statements which describe the contingency relating to the investigations into the freight forwarding business.

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company’s board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended, and by the Parent Company’s articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended, nor of the articles of association have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the Parent Company or on its financial position.

Report on Other Legal and Regulatory Requirements

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

28 March 2013
Kuwait

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

THE PUBLIC WAREHOUSING COMPANY K.S.C.
 AND SUBSIDIARIES
 CONSOLIDATED FINANCIAL STATEMENTS
 31 DECEMBER 2012

		2012	2011
	Notes	KD 000's	KD 000's
ASSETS			
Non-current assets			
Property, plant and equipment	4	189,729	202,031
Projects in progress	5	18,898	21,098
Investment properties	6	214,590	218,114
Intangible assets	7	40,647	8,820
Goodwill	8,9	248,118	241,833
Financial assets at fair value through profit or loss	10	119,506	100,701
Financial assets available for sale	11	24,055	31,995
Other non-current assets		39,004	43,879
Loan to an associate	10	28,138	27,837
Total non-current assets		922,685	896,308
Current assets			
Inventories	12	13,792	10,661
Trade receivables	13	274,062	279,284
Other current assets	14	78,827	94,027
Bank balances and cash	15	143,458	119,695
Total current assets		510,139	503,667
TOTAL ASSETS		1,432,824	1,399,975
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	104,684	104,684
Share premium	16	152,650	152,650
Statutory reserve	16	52,342	52,342
Treasury shares	17	(45,038)	(41,741)
Treasury shares reserve		44,366	44,366
Foreign currency translation reserve		(18,428)	(20,623)
Hedging reserve		(17,037)	(16,926)
Investment revaluation reserve		15	15
Retained earnings		621,488	617,006
Equity attributable to equity holders of the Parent Company		895,042	891,773
Non-controlling interests		14,860	7,319
Total equity		909,902	899,092
LIABILITIES			
Non-current liabilities			
Interest bearing loans	18	42,678	24,484
Provision for employees' end of service benefits	19	20,085	18,074
Other non-current liabilities	20	34,000	35,078
Total non-current liabilities		96,763	77,636
Current liabilities			
Trade and other payables	21	381,759	377,379
Interest bearing loans	18	36,654	38,339
Dividends payable		7,746	7,529
Total current liabilities		426,159	423,247
Total liabilities		522,922	500,883
TOTAL EQUITY AND LIABILITIES		1,432,824	1,399,975



Tarek Abdul Aziz Sultan
 Chairman and Managing Director

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 KD 000's	2011 KD 000's
Revenues			
Logistics and freight forwarding revenues		1,294,959	1,218,840
Rental revenues		34,693	30,690
Other services		88,098	81,385
Total revenues		1,417,750	1,330,915
Cost of revenues		(1,047,658)	(956,354)
Net revenues		370,092	374,561
General and administrative expenses	22	(116,262)	(121,195)
Salaries and employee benefits	23	(183,820)	(203,051)
Unrealised gain on financial assets at fair value through profit or loss	10	15,641	6,958
Gain on disposal of investment in a subsidiary		-	8,204
Change in fair value of investment properties	6	2,250	233
Gain on bargain purchase of investment in a subsidiary	8	4,384	-
Impairment of investment properties	6	(8,823)	-
Realised loss on sale of financial assets available for sale	11	(11,234)	-
Impairment of financial assets available for sale	11	-	(10,768)
Miscellaneous income		7,217	3,487
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		79,445	58,429
Depreciation	4	(27,843)	(30,797)
Amortisation	7	(2,313)	(498)
Profit before interest, taxation and Directors' remuneration (EBIT)		49,289	27,134
Interest income		6,328	20,854
Finance costs		(6,770)	(8,480)
Profit before taxation and Directors' remuneration		48,847	39,508
Taxation	24	(8,053)	(8,064)
Directors' remuneration		(153)	(179)
PROFIT FOR THE YEAR		40,641	31,265
Attributable to:			
Equity holders of the Parent Company		34,297	27,043
Non-controlling interests		6,344	4,222
		40,641	31,265
BASIC AND DILUTED EARNINGS PER SHARE – attributable to equity holders of the Parent Company	25	34.42 fils	26.94 fils

CONSOLIDATED Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 KD 000's	2011 KD 000's
Profit for the year	40,641	31,265
Other comprehensive income:		
Financial assets available for sale:		
- Net changes in fair value of financial assets available for sale	(11,234)	(10,768)
- Transferred to consolidated income statement on sale	11,234	-
- Transferred to consolidated statement on impairment	-	10,768
Net (loss) gain on hedge of net investments (Note 18)	(111)	859
Foreign currency translation adjustments	1,642	(6,480)
Other comprehensive income (loss)	1,531	(5,621)
Total comprehensive income for the year	42,172	25,644
Attributable to:		
Equity holders of the Parent Company	36,381	21,502
Non-controlling interests	5,791	4,142
	42,172	25,644

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

OPERATING ACTIVITIES

Profit before taxation and Directors' remuneration

Adjustments for:

Provision for impairment of trade receivables	13	3,896	7,261
Provision for employees' end of service benefits	19	8,514	8,476
Foreign currency exchange (gain) loss		(555)	410
Unrealised gain on financial assets at fair value through profit or loss	10	(15,641)	(6,958)
Gain on disposal of investment in a subsidiary		-	(8,204)
Change in fair value of investment properties	6	(2,250)	(233)
Gain on bargain purchase of investment in a subsidiary		(4,384)	-
Impairment of investment properties	6	8,823	-
Realised loss on sale of financial assets available for sale	11	11,234	-
Impairment of financial assets available for sale	11	-	10,768
Miscellaneous income		(7,217)	(3,487)
Depreciation	4	27,843	30,797
Amortisation	7	2,313	498
Interest income		(6,328)	(20,854)
Finance costs		6,770	8,480
Operating profit before changes in working capital		81,865	66,462
Inventories		(3,581)	1,670
Trade receivables		3,833	(2,879)
Other current assets		17,036	(6,031)
Trade and other payables		(12,587)	1,996
Cash from operations		86,566	61,218
Taxation paid		(8,226)	(4,961)
Directors' remuneration paid		(160)	(160)
Payment made against share linked compensation and incentive plans		-	(20)
Employees' end of service benefits paid	19	(6,186)	(10,151)
Net cash flows from operating activities		71,994	45,926
INVESTING ACTIVITIES			
Net movement in financial assets available for sale		(113)	(1,719)
Additions to property, plant and equipment	4	(8,668)	(12,169)
Proceeds from disposal of property, plant and equipment		798	16,821
Loan to an associate		-	(14,122)
Additions to projects in progress	5	(8,449)	(10,239)
Additions to investment properties	6	(3,049)	(831)
Disposal of subsidiaries, net of cash disposed		-	(335)
Acquisition of a subsidiary, net of cash acquired	8	(25,454)	-
Contingent consideration paid in respect of prior period acquisitions		(1,244)	(1,235)
Net movement in other non-current assets		18,097	-
Interest income received		5,802	5,227
Dividends received		1,379	-
Net movement in deposits with original maturities exceeding three months		(304)	70,361
Net cash flows (used in) from investing activities		(21,205)	51,759
FINANCING ACTIVITIES			
Purchase of treasury shares		(3,297)	(2,114)
Net movement in interest bearing loans		16,306	(61,337)
Finance costs paid		(6,908)	(8,649)
Dividends paid to equity holders of Parent Company		(29,689)	(39,302)
Dividends paid to non-controlling interests		(4,728)	(357)
Net cash flows used in financing activities		(28,316)	(111,759)
Net foreign exchange differences		986	370
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		23,459	(13,704)
Cash and cash equivalents at 1 January		77,071	90,775
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	100,530	77,071

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to equity holders of the Parent Company									Non- controlling interests	Total equity	
	Share capital KD 000's	Share premium KD 000's	Statutory reserve KD 000's	Treasury shares KD 000's	Foreign cur- rency transla- tion reserve KD 000's	Hedging re- serve KD 000's	Investment revaluation reserve KD 000's	Retained earnings KD 000's	Sub total KD 000's			
As at 1 January 2012	104,684	152,650	52,342	(41,741)	44,366	(20,623)	(16,926)	15	617,006	891,773	7,319	899,092
Profit for the year	-	-	-	-	-	-	-	-	34,297	34,297	6,344	40,641
Other comprehensive income (Note 18)	-	-	-	-	-	2,195	(111)	-	-	2,084	(553)	1,531
Total comprehensive income	-	-	-	-	-	2,195	(111)	-	34,297	36,381	5,791	42,172
Purchase of treasury shares	-	-	-	(3,297)	-	-	-	-	-	(3,297)	-	(3,297)
Acquisition of a subsidiary (Note 8)	-	-	-	-	-	-	-	-	-	-	3,591	3,591
Dividends (Note 26)	-	-	-	-	-	-	-	-	(29,815)	(29,815)	-	(29,815)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,728)	(4,728)
Issue of share capital by a subsidiary	-	-	-	-	-	-	-	-	-	-	2,887	2,887
As at 31 December 2012	104,684	152,650	52,342	(45,038)	44,366	(18,428)	(17,037)	15	621,488	895,042	14,860	909,902
As at 1 January 2011	104,684	152,650	52,342	(39,627)	44,366	(14,223)	(17,785)	15	630,054	912,476	9,391	921,867
Profit for the year	-	-	-	-	-	-	-	-	27,043	27,043	4,222	31,265
Other comprehensive income (Note 18)	-	-	-	-	-	(6,400)	859	-	-	(5,541)	(80)	(5,621)
Total comprehensive income	-	-	-	-	-	(6,400)	859	-	27,043	21,502	4,142	25,644
Purchase of treasury shares	-	-	-	(2,114)	-	-	-	-	-	(2,114)	-	(2,114)
Disposal of investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	(5,857)	(5,857)
Dividends (Note 26)	-	-	-	-	-	-	-	-	(40,091)	(40,091)	-	(40,091)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(357)	(357)
As at 31 December 2011	104,684	152,650	52,342	(41,741)	44,366	(20,623)	(16,926)	15	617,006	891,773	7,319	899,092

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

1 CORPORATE INFORMATION

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

The main objectives of the Parent Company are as follows:

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

The principal activities of the subsidiaries are explained in Note 3.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 28 March 2013, and are issued subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the Shareholders has the power to amend these consolidated financial statements after issuance.

‘The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the “Companies Law”), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no 97 of 2013 (the Decree).

According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Industry and Commerce by 26 September 2013 will determine the basis and rules which the Parent Company shall adopt to regularise its affairs with the Companies Law as amended.’

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.

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

In addition, the US Department of Justice is currently conducting an informal investigation regarding two cost reimbursable US Government contracts in order to ascertain whether reimbursement requests for certain costs incurred by the Parent Company were proper. Furthermore, in relation to one of such contracts, the Parent Company is appealing before the “Armed Services Board of Contracts, Appeals (ASBCA)” a decision made by the contracting officer demanding repayment of approximately KD 23 million from the Parent Company. During 2011, the US Government collected KD 4.7 million out of the above claim by offsetting payments due on the Group’s other US Government contracts. The Parent Company, on 19 April 2011, also filed an affirmative claim for approximately KD 13 million owed by the US Government under the contract which was denied by the Contracting Officer on 15 December 2011. The Parent Company filed an appeal before the ASBCA and decision on this appeal is currently pending.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

Statement of compliance

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power directly or indirectly to govern the financial and operating policies of entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not attributable directly, or indirectly, to the equity holders of the Parent Company. Equity, net profit and total comprehensive income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

Name of company	Ownership % as at 31 December		Country of incorporation
	2012	2011	
Global Express Transport Co. W.L.L.	100.00%	100.00%	State of Kuwait
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.C.	56.60%	56.60%	State of Kuwait
Global Clearing House Systems K.S.C.C.	60.60%	60.60%	State of Kuwait
National Aviation Services Company W.L.L.	95.00%	95.00%	State of Kuwait
United Projects Company For Aviation Services K.S.C. (Closed) (Note 8)	92.63%	-	State of Kuwait
Tristar Transport L.L.C. – Dubai	80.00%	80.00%	United Arab Emirates
Agility Logistics L.L.C.	100.00%	100.00%	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.	50.25%	50.25%	Saudi Arabia
Agility Logistics Private Limited	100.00%	100.00%	India
Agility Logistics GmbH	100.00%	100.00%	Germany
Agility Logistics Limited	100.00%	100.00%	Hong Kong
Agility Logistics International B.V	100.00%	100.00%	Netherland
Agility International Logistics Pte Ltd.	100.00%	100.00%	Singapore
Agility Logistics Holdings Pte Ltd.	100.00%	100.00%	Singapore
Agility Logistics Limited	100.00%	100.00%	United Kingdom
Itatrans Agility Logistica Internacional SA	100.00%	100.00%	Brazil
Agility Project Logistics Pty Ltd.	100.00%	100.00%	Australia
Agility Limited	100.00%	100.00%	Papua New Guinea
Agility Logistics (Shanghai) Ltd.	100.00%	100.00%	China
Agility Logistics AG	100.00%	100.00%	Switzerland
Agility Spain SA	100.00%	100.00%	Spain
Agility AB	100.00%	100.00%	Sweden
Agility Company Ltd	100.00%	100.00%	Thailand

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

Changes in accounting policies and disclosures

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

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets (effective 1 January 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment has no effect on the Group’s financial position, performance or its disclosures.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (effective 1 July 2011)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group’s financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity’s

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its consolidated financial statements.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

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

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

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

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

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

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

Building 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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Projects in progress

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

Investment properties

Investment properties comprise completed properties held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. Investment properties are initially recorded at cost being the fair value of the consideration given and including acquisition charges associated with the investment property. After initial recognition, the properties are re-measured to fair value on an individual basis with any gain or loss arising from a change in fair value being included in the consolidated income statement in the period in which it arises.

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

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

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

Intangible assets

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

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

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

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

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

Build-own-transfer (“BOT”) projects

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

Customer lists

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

Brand

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

Goodwill

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates through Venture Capital Organisation

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The Group’s investment in an associate held though a Venture Capital Organisation, is measured at fair value. This treatment is permitted by IAS 28 ‘Investment in Associates’, which requires investments held by Venture Capital Organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39 ‘Financial Instruments: Recognition and Measurement’, with changes in fair value recognised in the consolidated income statement in the period of the change.

Financial assets and liabilities

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

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

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

Financial assets

Financial assets at fair value through profit or loss

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

Financial assets available for sale

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

Loan to an associate

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

Trade receivables

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

Cash and cash equivalents

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

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

Financial liabilities

Interest bearing loans

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

Trade and other payables

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Fair value

The fair value of financial instruments traded in recognised financial markets is their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Fair value (continued)

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 33.

Derecognition of financial assets and liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

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

Offsetting

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

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

Fair value hedges

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

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

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

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

Cash flow hedges

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

Hedges of a net investment

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

The Group uses interest bearing loans to hedge its exposure to foreign exchange risk on its investments in overseas subsidiaries. Refer to Note 18 for more details.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

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

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

Impairment (continued)

Financial assets (continued)

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

Non-financial assets

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

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

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

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

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

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

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

Treasury shares

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

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 income statement with the exception of differences on foreign currency borrowings accounted for as a hedge of a net investment in foreign operations. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Provisions

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

Employees' end of service benefits

Kuwaiti employees

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

Expatriate employees in Kuwait

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

International

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

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised gain or loss exceeds 10% of the higher of the defined benefit obligation and the fair value of the plan assets. These gains and losses are amortised over the expected average remaining working lives of the employees. The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately. The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognised immediately in the consolidated income statement to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognised in the consolidated income statement immediately.

Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

any increase in the present value of the economic benefits stated above are recognised immediately if the asset is measured at the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognised immediately.

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.

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

Revenue recognition

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

Logistics revenue

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

Freight forwarding and project forwarding revenues

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

Rental revenue

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

Interest income

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

Dividend income

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

Taxation

National Labour Support Tax (NLST)

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

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

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

Zakat

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 judgements, estimates and assumptions

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

Judgements

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

Classification of financial assets

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

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

Impairment of financial assets available for sale

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

Operating Lease Commitments – Group as lessor

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

Fair values of assets and liabilities acquired

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

Contingencies

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

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 2012 were KD 248,118 thousand and KD 4,721 thousand respectively, (2011: KD 241,833 thousand and KD 4,721 thousand, respectively). More details are given in Notes 7, 8 and 9.

Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated income statement. Two main methods were used to determine the fair value of the investment properties:

- (a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
- (b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates and assumptions (continued)

Valuation of unquoted financial assets

- Valuation of unquoted financial assets is normally based on one of the following:
- recent arm’s length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

Pension and other post employment benefits

The cost of defined benefit pension plans and other post employment medical benefits is determined using independent actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at 31 December 2012 is KD 5,437 thousand (2011: KD 6,966 thousand). Further details are given in Note 19.

Significant accounting judgements, estimates and assumptions (continued)

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.

Estimates and assumptions

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.

Standards issued but not yet effective

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

IAS 1: Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment) (effective 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Group’s financial position or performance.

IAS 19: Employee Benefits (Amendment) (effective 1 January 2013)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will require the recognition of actuarial gains and losses in other comprehensive income and will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The Group is currently in the process of evaluating the impact of these amendments on its consolidated financials statements.

IAS 27: Separate Financial Statements (Amendment) (effective 1 January 2013)

As a consequence of the new IFRS 10: Consolidated Financial Statements and IFRS 12: Disclosure of Involvement with Other Entities, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

IAS 28: Investments in Associates and Joint Ventures (Amendment) (effective 1 January 2013)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IAS 32: Offsetting Financial Assets and Financial Liabilities (Amendment) (effective 1 January 2014)

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group’s financial position or performance.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment) (effective 1 January 2013)

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

IFRS 9: Financial Instruments: Classification and Measurement (effective 1 January 2015)

IFRS 9, as issued, reflects the first phase of the IASB’s work on the replacement of IAS 39: Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10: Consolidated Financial Statements (effective 1 January 2013)

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

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is in the process of evaluating the impact of IFRS 10 on the consolidated financial statements.

IFRS 11: Joint Arrangements (effective 1 January 2013)

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the financial position of the Group.

IFRS 12: Disclosure of Involvement with Other Entities (effective 1 January 2013)

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group’s financial position or performance.

IFRS 13: Fair Value Measurement (effective 1 January 2013)

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

Additional disclosures will be made in the consolidated financial statements when the above-mentioned IASB Standards become effective.

4 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings and improvements</i>	<i>Tools, machinery and equipment</i>	<i>Vehicles and ships</i>	<i>Furniture and office equipment</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Cost:					
1 January 2012	154,050	74,658	82,347	81,947	393,002
Additions	496	545	4,749	2,878	8,668
Transfer from projects in progress (Note 5)	8,816	-	1,860	-	10,676
Arising on acquisition of a subsidiary (Note 8)	229	116	50	156	551
Disposals	(6,168)	(2,120)	(29,298)	(4,085)	(41,671)
Exchange differences	3,530	2,539	(910)	5,370	10,529
31 December 2012	160,953	75,738	58,798	86,266	381,755
Depreciation:					
1 January 2012	(33,812)	(41,562)	(48,673)	(66,924)	(190,971)
Charge for the year	(6,127)	(5,221)	(9,977)	(6,518)	(27,843)
Disposals	1,263	1,597	22,904	3,168	28,932
Exchange differences	(1,290)	(375)	535	(1,014)	(2,144)
31 December 2012	(39,966)	(45,561)	(35,211)	(71,288)	(192,026)
Net book value:					
31 December 2012	120,987	30,177	23,587	14,978	189,729

	<i>Buildings and improvements</i>	<i>Tools, machinery and equipment</i>	<i>Vehicles and ships</i>	<i>Furniture and office equipment</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Cost:					
1 January 2011	163,754	69,957	113,903	95,234	442,848
Additions	3,084	6,155	3,787	(857)	12,169
Transfer from projects in progress (Note 5)	1,309	8,510	1,005	1,008	11,832
Disposals	(6,633)	(6,854)	(30,710)	(11,596)	(55,793)
Related to disposal of a subsidiary	(3,819)	(1,946)	(4,502)	(754)	(11,021)
Exchange differences	(3,645)	(1,164)	(1,136)	(1,088)	(7,033)
31 December 2011	154,050	74,658	82,347	81,947	393,002
Depreciation:					
1 January 2011	(31,797)	(40,579)	(63,154)	(68,933)	(204,463)
Charge for the year	(6,608)	(6,523)	(10,126)	(7,540)	(30,797)
Disposals	3,704	4,132	22,353	8,408	38,597
Related to disposal of a subsidiary	479	764	1,759	467	3,469
Exchange differences	410	644	495	674	2,223
31 December 2011	(33,812)	(41,562)	(48,673)	(66,924)	(190,971)
Net book value:					
31 December 2011	120,238	33,096	33,674	15,023	202,031

The Parent Company's buildings with a carrying value of KD 2,528 thousand (2011: KD 4,749 thousand) are erected on land leased from the Government of Kuwait for renewable periods ranging from five to twenty years.

5 PROJECTS IN PROGRESS

Projects in progress comprise the cost of assets acquired and under construction that are not available for use at the reporting date. These assets, once completed, will be used for providing logistics services and for generating rental and transportation revenues.

	<i>2012 KD 000's</i>	<i>2011 KD 000's</i>
At 1 January	21,098	24,945
Additions	8,449	10,239
Transfer to property, plant and equipment (Note 4)	(10,676)	(11,832)
Transfer to investment properties (Note 6)	-	(2,682)
Exchange differences	27	428
At 31 December	18,898	21,098

6 INVESTMENT PROPERTIES

	<i>2012 KD 000's</i>	<i>2011 KD 000's</i>
At 1 January	218,114	214,368
Additions	3,049	831
Transfer from projects in progress (Note 5)	-	2,682
Impairment (see below)	(8,823)	-
Change in fair value	2,250	233
At 31 December	214,590	218,114

Investment properties are stated at fair value, which has been determined based on valuations performed by accredited independent appraisers. The discounted future cash flow method or property market value method have been used considering the nature and usage of the property.

Initial lease periods range from three to twenty years. All investment properties are located in Kuwait.

Investment properties with a carrying value of KD 8,823 thousand were fully provided for impairment following the Supreme Court's ruling against the Parent Company regarding the termination of certain lease contracts [Note 28 (b)].

7 INTANGIBLE ASSETS

	<i>BOT projects KD 000's</i>	<i>Customer lists KD 000's</i>	<i>Brand KD 000's</i>	<i>Total KD 000's</i>
Cost:				
At 1 January 2012	-	7,271	4,721	11,992
Arsing on acquisition of a subsidiary (Note 8)	34,140	-	-	34,140
31 December 2012	34,140	7,271	4,721	46,132
Accumulated amortisation and impairment:				
At 1 January 2012	-	(3,172)	-	(3,172)
Charge for the year	(1,815)	(498)	-	(2,313)
31 December 2012	(1,815)	(3,670)	-	(5,485)
Net book value:				
31 December 2012	32,325	3,601	4,721	40,647
31 December 2011	-	4,099	4,721	8,820

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 which were recognised following the acquisition of a subsidiary (Note 8) during the year. Customer lists and brand represent intangible assets acquired through business combinations in previous years.

The brand is assumed to have an indefinite useful life and is subject to impairment testing on an annual basis (Note 9).

8 GOODWILL

	<i>2012 KD 000's</i>	<i>2011 KD 000's</i>
Cost:		
At 1 January	269,051	272,883
Exchange differences	6,285	(3,832)
At 31 December	275,336	269,051
Impairment:		
At 1 January and 31 December	(27,218)	(27,218)
Net carrying value	248,118	241,833

Business combination
Effective 4 June 2012, the Group acquired a 64.78% effective equity interest in United Projects Company for Aviation Services K.S.C. (Closed) ("UPAC") for a consideration of KD 26,088 thousand. Furthermore, in compliance with Capital Market Authority of Kuwait ("CMA") regulations, the Group also extended the same offer to the remaining shareholders of UPAC as a result of which the Group acquired an additional effective equity interest of 27.85% in UPAC for a consideration of KD 11,187 thousand. The Group owns 92.63% effective equity interest in UPAC as of 31 December 2012.

Following the acquisition, UPAC became a subsidiary of the Group and has been consolidated from the date of exercise of control.

The consideration paid and the fair values of assets acquired and liabilities assumed, as well as the non controlling interest at the proportionate share of the acquiree's identifiable net assets, are summarized as follows:

8 GOODWILL (continued)

	<i>KD 000's</i>
Assets	
Property, plant and equipment	551
Intangible assets	34,140
Financial assets available for sale	4,882
Other assets	1,686
Bank balances and cash	11,780
	53,039
Liabilities	
Interest bearing loans	1,550
Trade and other payables	6,280
	7,830
Non controlling interests in acquiree	280
	8,110
Net assets acquired	44,929
Consideration	37,234
Non controlling interests in acquiree	3,311
	40,545
Gain on bargain purchase	4,384
Consideration paid	(37,234)
Cash and cash equivalents in subsidiary acquired	11,780
	(25,454)

UPAC has been consolidated based on the fair values assigned to the identifiable assets and liabilities as on the acquisition date. The Group has finalised the Purchase Price Allocation exercise of UPAC and the fair values of the assets acquired and liabilities assumed are considered final.

From the date of acquisition, UPAC contributed KD 4,608 thousand to the profit of the Group.

9 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>2012 KD 000's</i>	<i>2011 KD 000's</i>
<i>Cash generating units:</i>		
Global Integrated Logistics	226,538	221,666
Infrastructure	21,580	20,167
Total	248,118	241,833

9 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIFE (continued)

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 2013 and assuming an average annual growth rate of 4% for the four year period thereafter, which is in the range of the current short term growth rate for the logistics industry. The pre-tax discount rate applied to cash flow projections is 10% and cash flows beyond the 5 year period are extrapolated using a growth rate of 3%. As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated income statement.

Key assumptions used in value in use calculations

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

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

Sensitivity to changes in assumptions

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

Intangible asset with indefinite life

Intangible asset with indefinite life of KD 4,721 thousand (2011: 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.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 KD 000's	2011 KD 000's
Investment in an associate – outside Kuwait	94,741	80,542
Derivative instrument – outside Kuwait	2,467	-
Quoted equity securities:		
- In Kuwait	38	209
- Outside Kuwait	22,260	19,950
	119,506	100,701

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 requires investments held by Venture Capital Organisations to be excluded from its scope where those investments are designated, upon initial recognition, at fair value through profit and loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the consolidated statement of income in the period of change. Included in unrealised gain on financial assets at fair value through profit or loss in the consolidated income statement is an amount of KD 13,331 thousand (2011: KD Nil) which represents unrealised gain recorded on the fair valuation of investment in Korek Telecom during the year.

As at 31 December 2012, interest bearing loan provided by the Group to Korek Telecom amounts to KD 28,138 thousand (2011: KD 27,837 thousand) (Note 29).

Derivative instrument represents the fair value of an option to acquire equity interest in Telkom Kenya, a limited liability company incorporated in Kenya (Note 11).

11 FINANCIAL ASSETS AVAILABLE FOR SALE

	2012 KD 000's	2011 KD 000's
Unquoted equity securities:		
- In Kuwait	18,606	13,591
- Outside Kuwait	5,449	18,404
	24,055	31,995

Financial assets available for sale amounting to KD 19,805 thousand (2011: KD 31,995 thousand) are carried at cost. The management has performed a review of its financial assets available for sale to assess whether impairment has occurred in the value of these investments. Based on its review, the management is not aware of any circumstances that would indicate any impairment in the value of these financial assets as at 31 December 2012 (2011: impairment loss of KD 10,768 thousand).

During the year, the Group sold its equity investment in Telkom Kenya, a limited liability company incorporated in Kenya, in exchange for an option to acquire equity interest in Telkom Kenya in the future. As a result of this, the Group realised a loss of KD 11,234 thousand which is recorded in the consolidated income statement. The fair value of the option amounting to KD 2,467 thousand (USD 8,768 thousand) is classified as “financial assets at fair value through profit or loss” (Note 10).

12 INVENTORIES

	2012 KD 000's	2011 KD 000's
Goods for resale	13,882	11,190
Provision for obsolete and slow moving inventories	(90)	(529)
Total inventories at the lower of cost and net realisable value	13,792	10,661

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 amounts to KD 121 thousand (2011: KD 136 thousand) which is recognised in the cost of revenues.

13 TRADE RECEIVABLES

	2012 KD 000's	2011 KD 000's
Gross trade receivables	325,371	330,335
Provision for impairment	(51,209)	(51,051)
	274,062	279,284

Trade receivables are non-interest bearing and are generally on 30 to 60 days terms. As at 31 December 2012, trade receivables amounting to KD 51,209 thousand (2011: KD 51,051 thousand) were considered impaired and fully provided for.

13 TRADE RECEIVABLES (continued)

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

	2012 KD 000's	2011 KD 000's
At 1 January	51,051	72,591
Charge for the year (Note 22)	3,896	7,261
Amounts written off	(4,100)	(29,013)
Others (including exchange differences)	362	212
At 31 December	51,209	51,051

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

	Neither past due nor impaired KD 000's	Past due but not impaired					Total KD 000's
		< 30 days	30 to 60 days	60 to 90 days	90 to 120 days	> 120 days	
		KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	
2012	164,228	50,950	18,802	13,644	17,209	9,229	274,062
2011	177,285	38,974	15,415	11,485	22,397	13,728	279,284

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

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

	2012 KD 000's	2011 KD 000's
US Dollars	136,400	115,047
Euros	30,418	40,529
Australian Dollar	15,520	20,318
British Pounds	14,610	13,403
UAE Dirhams	9,418	6,339
	206,366	195,636

Included in trade receivables is an amount of KD 4,215 thousand (2011: KD 8,303 thousand) which is due from a third party and portion of which is subject of an arbitration. The management is confident that the Group has fulfilled its obligation in relation to the related contract and the amount will be fully recovered.

14 OTHER CURRENT ASSETS

Prepaid expenses	20,851
Deposits	6,905
Advances to suppliers	10,956
Jobs in progress	6,920
Claims in dispute [Note 28 (c)]	10,092
Claims receivable	3,601
Sundry receivables	5,002
Advance to a related party (Note 29)	5,000
Staff receivables	995
Accrued income	1,140
Other	7,365

2012 KD 000's	2011 KD 000's
20,851	18,624
6,905	6,536
10,956	11,278
6,920	10,808
10,092	10,092
3,601	7,957
5,002	5,916
5,000	5,000
995	1,557
1,140	460
7,365	15,799
78,827	94,027

15 BANK BALANCES AND CASH

Cash at banks and on hand	76,242
Short term deposits	24,288

2012 KD 000's	2011 KD 000's
76,242	45,207
24,288	31,864
100,530	77,071
42,928	42,624
143,458	119,695

Cash and cash equivalents

Deposits with original maturities exceeding three months

Included in bank balances and cash are balances amounting to KD 66,983 thousand (2011: KD 65,641 thousand) held by banks in Kuwait whereas the balance of KD 76,475 thousand (2011: KD 54,054 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 1.5% to 2.5% per annum (2011: 2% to 2.6% per annum).

Included in bank balances and cash are balances denominated in foreign currencies amounting to KD 76,732 thousand (2011: KD 62,676 thousand), mainly in US Dollars, Euro, United Arab Emirates Dirhams and Qatar Riyals.

16 SHARE CAPITAL AND RESERVES

- a) Share capital
Authorised, issued and paid-up capital consists of 1,046,836,709 shares (2011: 1,046,836,709 shares) of 100 fils per share (2011: 100 fils per share) which is fully paid in cash and in kind.
- b) Share premium
The share premium is not available for distribution.
- c) Statutory reserve
In accordance with Companies Law and the Parent Company's Articles of Association, the Parent Company has resolved to discontinue the annual transfer of 10% of net profit for the year since the statutory reserve equals 50% of paid up share capital.

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

17 TREASURY SHARES

	2012	2011
Number of treasury shares	52,938,640	45,068,640
Percentage of issued shares	5.06%	4.31%
Market value in KD 000's	26,999	16,450

18 INTEREST BEARING LOANS

	2012 KD 000's	2011 KD 000's
Committed Term Loan obtained from a foreign bank in April 2008 which was fully repaid during the year	-	11,130
Committed Term Loan obtained from a local bank and is repayable in annual instalments commencing from December 2011.	15,183	15,026
Committed Term Loan obtained from a local bank in December 2012 and is repayable in annual instalments commencing from April 2013.	27,000	-
Other loans	37,149	36,667
	79,332	62,823

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 64,419 thousand (2011: KD 48,539 thousand) carry margin ranging from 1% to 2.5% per annum (2011: 1% to 3%) over the benchmark rates.

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

	Current portion KD 000's	Non-current Portion KD 000's	Total KD 000's
US Dollars	14,118	9,730	23,848
Hong Kong Dollar	7,877	-	7,877
Kuwaiti Dinars	3,983	26,010	29,993
UAE Dirham	4,227	-	4,227
Euro	1,954	-	1,954
Chinese Yuan	2,786	4,038	6,824
Others	1,709	2,900	4,609
At 31 December 2012	36,654	42,678	79,332
At 31 December 2011	38,339	24,484	62,823

18 INTEREST BEARING LOANS (continued)

Included in interest bearing loans are loans amounting to KD 20,197 thousand (2011: KD 11,131 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 27,000 thousand which is secured by a pledge of shares of a subsidiary.

Hedge of net investments in foreign operations

Included in interest bearing loans at 31 December 2012 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 instruments amounting KD 111 thousand (2011: gain of KD 859 thousand) was taken to other comprehensive income (hedging reserve).

19 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2012 KD 000's	2011 KD 000's
Movement in the provision recognised in the consolidated statement of financial position is as follows:		
At 1 January	18,074	19,590
Provided during the year	8,514	8,476
Employees' end of service benefits paid	(6,186)	(10,151)
Exchange differences	(317)	159
At 31 December	20,085	18,074

As a result of previous acquisitions, the Group assumed responsibility for defined benefit plans for the employees of subsidiaries acquired. As at 31 December the status of the plan was as follows:

	2012 KD 000's	2011 KD 000's
Defined benefit obligation	(110,426)	(101,084)
Fair value of plan assets	84,450	78,240
Funded status of the plan	(25,976)	(22,844)
Unrecognised net actuarial loss	20,539	15,833
Unrecognized net transition obligation	-	45
Benefit liability	(5,437)	(6,966)

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:

	2012	2011
Discount rate at 31 December	3.46%	3.79%
Expected rate of increase of employee remuneration	1.87%	2.26%
Average length of employee service	6 years	6 years
Expected return on plan assets	2.80%	3.91%

19 PROVISION FOR EMPLOYEES’ END OF SERVICE BENEFITS (continued)

The following tables summarise the components of net benefit expense recognised in the consolidated income statement and amounts recognised in the funded status and the consolidated statement of financial position for the respective plans:

Net benefit expense (recognised in salaries and employee benefits) is as follows:

	2012 KD 000's	2011 KD 000's
Current service cost	1,330	1,265
Interest cost on benefit obligation	3,759	3,970
Expected return on plan assets	(3,342)	(3,636)
Net actuarial loss recognised in the year	768	382
Amendments, curtailments, settlements and past service cost	(1,263)	-
Variation of asset ceiling	-	(125)
Amortization of net obligation at transition	-	49
Net benefit expense	1,252	1,905

Changes in the present value of the defined benefit obligation are as follows:

	2012 KD 000's	2011 KD 000's
At 1 January	101,084	97,548
Interest cost	3,759	3,970
Current service cost	1,330	1,265
Participant's contributions	575	606
Amendments, curtailments, settlements and past service cost	(767)	-
Benefits paid	(5,455)	(6,188)
Actuarial losses on obligation	6,128	5,521
Exchange differences	3,772	(1,638)
At 31 December	110,426	101,084

Changes in the fair value of plan assets are as follows:

	2012 KD 000's	2011 KD 000's
At 1 January	78,240	77,415
Expected return	3,342	3,636
Contributions by employer	2,856	2,843
Benefits paid	(5,455)	(5,609)
Actuarial gains	1,978	1,054
Exchange differences	3,489	(1,099)
At 31 December	84,450	78,240

20 OTHER NON-CURRENT LIABILITIES

	2012 KD 000's	2011 KD 000's
Lease obligations	4,984	5,416
Amounts due to related parties (Note 29)	20,098	22,811
Other liabilities	8,918	6,851
	34,000	35,078

21 TRADE AND OTHER PAYABLES

	2012 KD 000's	2011 KD 000's
Trade payables	188,735	184,337
Accrued expenses	92,227	97,965
Accrued employee related expenses	35,683	34,599
NLST payable	11,350	10,565
Lease obligations	1,107	1,342
Taxation on overseas subsidiaries	4,653	4,176
KFAS payable	3,215	4,103
Zakat payable	4,180	3,881
Amounts due to related parties (Note 29)	98	246
Directors’ remuneration	164	176
Retentions and other liabilities	40,347	35,989
	381,759	377,379

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

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 KD 000's	2011 KD 000's
Repairs and maintenance	25,739	28,662
Rent	26,471	28,132
Professional fees	26,818	20,690
Communication	7,471	8,932
Travel	5,861	8,361
Provision for impairment of trade receivables (Note 13)	3,896	7,261
Restructuring expenses	3,659	5,282
Insurance	3,926	4,544
Advertising	1,104	1,358
Other expenses	11,317	7,973
	116,262	121,195

23 SALARIES AND EMPLOYEE BENEFITS

	2012 KD 000's	2011 KD 000's
Salaries	167,536	185,598
Employee benefits	16,284	17,453
	183,820	203,051

24 TAXATION

	2012 KD 000's	2011 KD 000's
NLST	898	708
Contribution to KFAS	359	283
Zakat	359	283
Taxation on overseas subsidiaries	6,437	6,790
	8,053	8,064

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:

	2012 KD 000's	2011 KD 000's
Profit for the year attributable to equity holders of the Parent Company	34,297	27,043
	Shares	Shares
Weighted average number of paid up shares	1,046,836,709	1,046,836,709
Weighted average number of treasury shares	(50,480,034)	(42,871,325)
Weighted average number of outstanding shares	996,356,675	1,003,965,384
Basic and diluted earnings per share - attributable to equity holders of the Parent Company	34.42 fils	26.94 fils

26 DIVIDENDS

On 28 March 2013, the Board of Directors of the Parent Company recommended a cash dividend of 30 fils per share (2011: 30 fils per share) and bonus shares of 5% (2011: Nil) in respect of the year ended 31 December 2012. This proposal is subject to approval by the shareholders at the Annual General Assembly of the Parent Company.

Dividends for 2011 were approved at the Annual General Assembly of the shareholders held on 31 May 2012.

27 DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives held for trading
Derivatives used for hedging purpose but which do not meet the qualifying criteria for hedge accounting are classified as ‘Derivatives held for trading’. The Group deals in the following derivative instruments to manage the interest rate risk and foreign exchange positions.

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

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

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

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

	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity	
				Within one year	1 - 5 years
				KD 000's	KD 000's
2012					
Forward foreign exchange contracts	14	-	11,487	11,487	-
Interest rate swaps	-	(17)	3,799	3,799	-
	14	(17)	15,286	15,286	-

Fair value of the equity option (Note 10) at 31 December 2012 is KD 2,467 thousand and the option is exercisable within a period of 10 years.

	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity	
				Within one year	1 - 5 years
				KD 000's	KD 000's
2011					
Forward foreign exchange contracts	-	1	5,901	5,901	-
Interest rate swaps	-	7	11,274	7,516	3,758
	-	8	17,175	13,417	3,758

28 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2012 KD 000's	2011 KD 000's
Letters of guarantee	90,997	108,132
Operating lease commitments	38,135	36,317
Capital commitments	4,867	6,568
	133,999	151,017

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

	2012 KD 000's	2011 KD 000's
Within one year	13,261	9,162
After one year but not more than five years	19,529	20,830
More than five years	5,345	6,325
	38,135	36,317

Included in letters of guarantee are bank guarantees of KD 31,405 thousand (2011: KD 31,405 thousand), provided by a bank on behalf of the subsidiary, Global Clearing House Systems K.S.C. (Closed), to the General Administration of Customs in the State of Kuwait. These guarantees are issued by the bank on a non-recourse basis to the Group.

Legal claims

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

In July 2009, a subsidiary was named as a defendant in a class action lawsuit filed in the Eastern District of New York, along with a number of other freight forwarding companies, regarding surcharges and fees for services. In November 2009, the defendants filed motions to dismiss the claims that are currently pending before the court. 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. The ultimate outcome of this litigation is uncertain at this time.

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

In December 2011, the Competition Commission Singapore (CCS) opened an investigation in to 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 2012, due to inherent uncertainty surrounding these investigations, the Group’s management (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigations and in view of the difficulty in quantifying any additional potential liabilities in this regard, no provision is recorded in the accompanying consolidated financial statements.

In February 2010, the European Commission issued a Statement of Objections (“SO”) to the Parent Company and two of its subsidiaries. The SO alleged that certain infringements of EU competition law were committed by the subsidiaries. On 28 March 2012, the European Commission issued its final decision imposing a fine of KD 828 thousand (EUR 2,296 thousand) on Agility’s UK subsidiary and a fine of KD 960 thousand (EUR 2,662 thousand) on Agility’s Hong Kong subsidiary. These amounts were paid during the year.

28 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

The Swiss Competition Authority’s investigation into freight forwarding activities on certain Agility’s subsidiaries commenced in July 2008. On 11 December 2012, Agility concluded the settlement with the Swiss Competition Authority for a total fine of KD 275 thousand (CHF 907 thousand). The amount was paid subsequent to the year end.

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

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

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

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

On 30 January 2013, the Supreme Court issued its final ruling which affirmed the decision of the Court of Appeal and confirmed the termination of the contracts between the Parent Company and PAI. As a result of this ruling, the Parent Company lost the rights to use the properties and accordingly, recognised impairment provision in respect of these properties (Note 6). The Parent Company had suspended recognising revenue on the aforementioned contracts since the inception of the case.

On 9 January 2007 the Ministry of Finance terminated the Al-Jahra Fish, Meat and Vegetables Market Project Contract with the Parent Company following the Resolution issued by the Council of Ministers No. 2/2007. The Parent Company appealed against this resolution through Case No. 200/2007 Administrative -3. The Court of First Instance cancelled the resolution No. 2/2007 issued by the Ministry of Finance.

In January 2008, the Court of Appeal ruled in favour of the Parent Company whereby Al-Jahra Fish, Meat and Vegetables Market Contract is to be given back to the Parent Company. As a result of the ruling the Parent Company resumed operations in the contract. The Court of Appeal also ruled out that the Parent Company be compensated for losses and expenses that arose as a result of this case. The Ministry of Finance filed an appeal at the Supreme Court which issued its ruling on 4 April 2012 in favour of the Parent Company.

(c) Guarantee encashment
A Resolution was issued by the General Administration of Customs for Kuwait (“GAC”) to cash a portion, amounting to KD 10,092 thousand of the bank guarantee submitted by Global Clearing House Systems K.S.C. (Closed) (the “Company”), a subsidiary of the Parent Company, in favour of GAC. Pursuant to this resolution, GAC called the above guarantee during the year ended 31 December 2007. This Resolution is being appealed through case No. 224/2007 “Administrative - 7”.

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

(d) KGL Litigation
During the year, 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 statements.

29 RELATED PARTY TRANSACTIONS

As per the International Accounting Standard (IAS) 24: Related Party Disclosures, related parties represent shareholders, directors and key management personnel of the Group, and companies which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Group’s management.

Transactions and balances with related parties are as follows:

2012	Major shareholders	Other related parties	Total
	KD 000's	KD 000's	KD 000's
Consolidated income statement			
Revenues	-	1,268	1,268
Interest income	-	3,259	3,259
General and administrative expenses	72	95	167
Finance costs	-	705	705
Consolidated statement of financial position:			
Advance to a related party (Note 14)	5,000	-	5,000
Amounts due from related parties	-	213	213
Loan to an associate (Note 10)	-	28,138	28,138
Amounts due to related parties (Notes 20 and 21)	-	20,196	20,196

2011	Major shareholders	Other related parties	Total
	KD 000's	KD 000's	KD 000's
Revenue	1	1,018	1,019
Interest income	-	1,391	1,391
General and administrative expenses	72	20	92
Finance costs	-	942	942
Advance to a related party (Note 14)	5,000	-	5,000
Amounts due from related parties	-	440	440
Loan to an associate (Note 10)	-	27,837	27,837
Amounts due to related parties (Notes 20 and 21)	-	23,057	23,057

Advance to a related party amounting to KD 5,000 thousand (2011: KD 5,000 thousand) represents amount paid to acquire an investment (Note 14).

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 (2011: 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:

	2012	2011
	KD 000's	KD 000's
Short-term benefits	2,347	4,549

Short term benefits include discretionary bonus amounting to KD 897 thousand (2011: KD 3,078 thousand) awarded to key management personnel.

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

30 OPERATING SEGMENT INFORMATION

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

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

- Logistics and Related Services;
The Logistics and Related Services segment provides a comprehensive logistics offering to its clients, including freight forwarding, transportation, contract logistics, project logistics and fairs and events logistics.
- Infrastructure
The Infrastructure segment provides other services which include industrial real-estate airport and airplane ground handling and cleaning services, customs consulting, private equity and waste recycling.

Year ended 31 December 2012	Logistics and related services	Infrastructure	Adjustments and eliminations	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Revenues				
External customers	1,179,550	238,200	-	1,417,750
Inter-segment	91	4,616	(4,707)	-
Total revenues	1,179,641	242,816	(4,707)	1,417,750
Results				
Profit before interest, taxation, depreciation, amortisation and Directors’ remuneration (EBITDA)	25,122	56,258	(1,935)	79,445
Depreciation				(27,843)
Amortisation				(2,313)
Profit before interest, taxation and Directors’ remuneration (EBIT)				49,289
Interest income				6,328
Finance costs				(6,770)
Profit before taxation and Directors’ remuneration				48,847
Taxation and Directors’ remuneration				(8,206)
Profit for the year				40,641
Total assets	770,761	849,383	(187,320)	1,432,824
Total liabilities	1,034,360	675,333	(1,186,771)	522,922
Other disclosures:				
Goodwill	226,538	21,580	-	248,118
Other intangible assets	8,322	32,325	-	40,647
Capital expenditure	6,111	14,055	-	20,166
Unrealised gain on financial asset at fair value through profit or loss	-	15,641	-	15,641
Change in fair value of investment properties (unrealised gain)	-	2,250	-	2,250
Gain on bargain purchase of a subsidiary	-	4,384	-	4,384
Impairment of investment properties	-	(8,823)	-	(8,823)
Realised loss on disposal of financial assets available for sale	-	(11,234)	-	(11,234)
Depreciation	17,614	9,303	926	27,843
Amortisation	498	1,815	-	2,313

30 OPERATING SEGMENT INFORMATION (continued)

<i>Year ended 31 December 2011</i>	<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	1,133,460	197,455	-	1,330,915
Inter-segment	20,745	6,416	(27,161)	-
Total revenues	1,154,205	203,871	(27,161)	1,330,915
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	22,434	40,615	(4,620)	58,429
Depreciation				(30,797)
Amortisation				(498)
Profit before interest, taxation and Directors' remuneration (EBIT)				27,134
Interest income				20,854
Finance costs				(8,480)
Profit before taxation and Directors' remuneration				39,508
Taxation and Directors' remuneration				(8,243)
Profit for the year				31,265
Total assets	767,262	785,039	(152,326)	1,399,975
Total liabilities	999,157	665,527	(1,163,801)	500,883
Other disclosures:				
Goodwill	221,666	20,167	-	241,833
Other intangible assets	8,820	-	-	8,820
Capital expenditure	9,876	12,951	412	23,239
Impairment of financial assets available for sale	-	10,768	-	10,768
Change in fair value of investment properties (unrealised gain)	-	233	-	233
Depreciation	21,423	8,775	599	30,797
Amortisation	498	-	-	498

Inter-segment represents the elimination of transactions arising in the normal course of business between the different segments of the Group.

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

Included in the profit before interest, taxation, and Directors' remuneration (EBIT) for "logistics and related services" for the year ended 31 December 2011 above is an amount of KD 8,204 thousand which represents gain on disposal of investment in a subsidiary.

30 OPERATING SEGMENT INFORMATION (continued)

Geographic information

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

	<i>2012 KD 000's</i>	<i>2011 KD 000's</i>
Revenue from external customers		
Middle East	250,153	221,453
Europe	362,197	392,644
Asia	507,725	435,776
America	254,961	240,312
Africa	42,714	40,730
	1,417,750	1,330,915

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

	<i>2012 KD 000's</i>	<i>2011 KD 000's</i>
Non-current assets		
Middle-east	443,861	416,390
Europe	52,983	51,284
Asia	180,845	178,536
America	34,125	34,615
Africa	23,036	26,250
Unallocated	44,274	56,535
	779,124	763,610

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

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

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

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

Risk mitigation

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

Excessive risk concentration

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

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

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

Credit risk

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

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

Credit risk from balances with banks and financial institutions is managed by Group’s treasury in accordance with the Group’s policy. Investments of surplus funds are made only with approved counterparties to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The Group’s maximum exposure to credit risk for the components of the statement of financial position at 31 December 2012 and 2011 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:

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	2012 KD 000's	2011 KD 000's
Bank balances	143,458	119,695
Trade receivables	274,062	279,284
Loan to an associate	28,138	27,837
Other receivables	34,723	35,359
	480,381	462,175

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:

	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Total KD 000's
Financial liabilities					
2012					
Interest bearing loans	130	2,017	38,161	47,219	87,527
Trade and other payables	32,614	65,227	293,522	-	391,363
Dividends payable	7,746	-	-	-	7,746
Total financial liabilities	40,490	67,244	331,683	47,219	486,636
Financial liabilities	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Total KD 000's
2011					
Interest bearing loans	5,586	12,854	16,038	32,197	66,675
Trade and other payables	31,652	63,305	284,870	-	379,827
Dividends payable	7,529	-	-	-	7,529
Total financial liabilities	44,767	76,159	300,908	32,197	454,031

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 2012 and 2011.

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.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

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

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

Interest rate sensitivity

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

	50 basis points movement	
	Effect on consolidated income statement	
	2012	2012
	KD 000’s	KD 000’s
US Dollars	244	147

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 18)

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.

Foreign currency risk (continued)

Foreign currency sensitivity (continued)

	Change in currency rate by 1 %			
	Effect on other comprehensive income		Effect on consolidated income statement	
	2012	2011	2012	2011
	KD 000’s	KD 000’s	KD 000’s	KD 000’s
US Dollars	2,617	2,522	33	182

Equity price risk

Equity price risk is the risk that fair values of equities change as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group’s investment in quoted equity securities classified as ‘financial assets at fair value through profit or loss’.

Equity price sensitivity

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

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

Market indices	Change in equity price %	Effect on consolidated income statement KD’000
2012		
Qatar Stock Exchange	+5	1,113
2011		
Qatar Stock Exchange	+5	857

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

The Group also has certain unquoted financial assets available for sale carried at cost less impairment (Note 11) where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, which is when the consolidated income statement will be impacted.

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 2012 and 31 December 2011.

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

	2012	2011
	KD 000’s	KD 000’s
Interest bearing loans	79,332	62,823
Bank balances and cash	(143,458)	(119,695)
Net cash	(64,126)	(56,872)
Equity attributable to the equity holders of the Parent Company	895,042	891,773
Investment revaluation reserve	(15)	(15)
Equity	895,027	891,758

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value. The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 11), are not materially different from their carrying values.

Fair value of quoted securities is derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The methodologies and assumptions used to determine fair values of financial instruments is described in fair value section of Note 3.

Fair value hierarchy

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

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

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

	Level: 1	Level: 3	Total fair value
	KD’000	KD’000	KD’000
2012			
Financial assets at fair value through profit or loss:			
Investment in an associate	-	94,741	94,741
Quoted equity securities	22,298	-	22,298
Derivative instruments	-	2,467	2,467
	22,298	97,208	119,506
Financial assets available for sale:			
Unquoted equity securities	-	4,250	4,250
	-	4,250	4,250
2011			
Financial assets at fair value through profit or loss:			
Investment in an associate	-	80,542	80,542
Quoted equity securities	20,159	-	20,159
	20,159	80,542	100,701

There were no transfers between fair value hierarchies during 2012 and 2011.



“At Agility, we believe in giving back to our communities and protecting our planet.”



GIVING BACK - CORPORATE SOCIAL RESPONSIBILITY

At Agility, we believe in giving back to our communities and protecting our planet. We focus on:

Supporting the Humanitarian Community in Disaster Response

Agility has donated logistics services to humanitarian organizations in over 26 major natural disasters around the world. In past years, Agility has been active in Pakistan, Haiti, Indonesia, Bangladesh, Myanmar and the Philippines. Agility has bilateral partnerships with the International Medical Corps, a non-profit organization that provides emergency health services, as well as a multilateral partnership with UPS, TNT, and Maersk to provide logistics support to a group of humanitarian agencies led by the World Food Program.

In 2012, Agility deployed a team of four volunteers to South Sudan to support the International Medical Corp in moving medical supplies to overcrowded refugee camps. The rainy season made this a particularly challenging operation, but Agility volunteers worked hard to make their time a success.

“We are extremely grateful to Agility for bringing its unparalleled expertise in global logistics to International Medical Corps’ emergency response in South Sudan, said Sean Casey, South Sudan Country Director for the International Medical Corps. “Due to Agility’s critical support, our team was able to more efficiently and effectively deliver humanitarian relief in an extremely challenging environment, ultimately saving lives.”



Social Investments in our Communities

Agility volunteers in over 82 countries have led more than 900 community projects over the last six years. Our corporate grant program empowers our employees, from anywhere and at any level of the company, to invest in projects with partner organizations that advance the causes of youth and education, health, and environmental activism.

In 2012, our people renovated two schools in rural Sri Lanka, helped build a school in rural Indonesia that will allow 200 kids to get an education for the first time, funded over 50 scholarships for children in Thailand who had lost their homes to devastating floods, installed a water treatment facility in an Egyptian village, built six pre-schools in Cambodia reaching over 400 kids and their mothers with education services, and transported thousands of footballs to Africa to put a smile on children’s faces. And that’s just a few examples from more than 120 projects that were completed around the world.



Protecting our Planet

At Agility, we focus on reducing both our own environmental impact and on working with customers to green the supply chain. We offer free carbon emissions reporting to our customers; and work with them to find more effective environmental solutions. For example, we partner with one of the world’s leading telecommunication providers to consolidate goods in transit, achieving significant cost saving and reducing the customer’s carbon emissions by 9% a year. We also run a major waste management program in Asia with one of the world’s leading providers of sports apparel.

Today, we map our carbon footprint in over 70% of our operations, most located in emerging markets. We also continue to raise awareness about environmental issues. Our “Think Green, Act Green” campaign is now in its third year, and our annual Earth Day Celebrations attracted more than 1,000 employee volunteers in over 30 countries this year.

Human Rights in the Supply Chain

Agility’s Code of Business Ethics and Conduct sets high standards around fair labor practices, particularly when it comes to migrant workers that are an important part of our industry and business in the Middle East.

Agility has developed a training program in six languages to keep our workers informed on what they can expect from Agility, and has trained almost 3,000 employees in Kuwait, Saudi Arabia, Abu Dhabi, Dubai and Bahrain. Agility is now in the process of conducting labor audits throughout the region to ensure compliance with our policies.



Taking Corporate Social Responsibility Seriously – and Personally

“I truly believe that our corporate social responsibility focus is good for our customers and good for our business,” says Tarek Sultan, Agility’s Chairman and Managing Director. “It strengthens the communities where we work, works towards a cleaner planet and adds to the sense of pride and collective spirit among our employees. It’s part of our company culture of taking personal ownership, delivering personal service, and going above and beyond.”

“Agility has a unique value proposition in emerging markets, which continue to be the bright spot in terms of future economic growth around the world.”



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