ANNUAL REPORT 2017

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

Agility

2017 Annual Report

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

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Board of Directors

Henadi Anwar Al-Saleh
Chairperson

Tarek Abdulaziz Sultan Al-Essa
Vice Chairman

Adel Mohammed Al-Bader
Board Member

Ayman Bader Sultan Al-Essa
Board Member

Faisal Jameel Al-Sultan
Board Member

Naser Mohammed Al-Rashed
Board Member

Sultan Anwar Sultan Al-Essa
Board Member

Vice Chairman and CEO's Message

Dear Fellow Shareholders,
On behalf of the Board members, I would like to thank our valued shareholders for placing your constant support and confidence in our abilities. I am also pleased to announce with a sense of gratification our main achievements during the financial year of 2017 where Agility witnessed another year of healthy growth and continued to plant the seeds for a future of sustainable growth.

Agility reported a net profit of KD 68.5 million, or 54.4 fils per share, an increase of 16% over 2016. Revenue for the year reached KD 1,407 million and EBITDA was KD 135.2 million. For the fourth quarter 2017, Agility reported a net profit of KD 19.3 million, or 15.3 fils per share, an increase of 22.5 % over the same period last year. EBITDA for the quarter was KD 37.6 million, an increase of 19.8% over last year. Agility's Board of Directors, and in accordance to the Corporate Governance regulations, recognizes the integrity and the credibility of the financial statements and other reports related to the company's operations.

The Board of Directors has recommended a cash dividend distribution of 15% (15 fils per share), along with 15% bonus shares (15 shares for every 100 shares), subject to approval of the Annual General Assembly of the shareholders.

2017 Milestones:

- 17.4% growth in EBITDA largely as a result of strong Infrastructure group performance.
- Net profit and EPS growth of 16% and 16.6% respectively.
- Healthy operating cash flow growth, but limited Free Cash flow due to the required investment to grow the business.
- Balanced dividends distribution which rewards shareholders without inhibiting business growth.
- Increasing borrowing to fund company's future developments which resulted in a net debt position of KD 93.2 mln.
- The settlement of the U.S. Department of Justice litigation.

To reach our target of $800 million EBITDA by 2020, we remained focused on improving GIL's performance and investing in our Infrastructure companies. For every business in the group, 2017 was a critical year

Agility Global Integrated Logistics

Agility Global Integrated Logistics (GIL) revenue grew by 14.3% to KD 1,061.6 million in 2017. The increase is attributable to growth in the freight forwarding business and contract logistics. Full year net revenue grew 2.6%. Net revenue margins shrunk to 23.7% from 26.4% amid yield pressure across the industry.

For the fourth quarter, GIL revenue was KD 293 million, a 21.5% increase over the same period last year. Air and ocean revenue were up 25% on air tonnage growth of 9.7% and a 12% increase in ocean TEUs. Contract logistics and specialties (Project Logistics and Fairs & Events) improved revenue 17.6% over the same period in 2016.

Fourth-quarter net revenue increased 6%, but net revenue margins declined to 22.6% vs. 26% in Q4 2016, amid yield pressure throughout the freight forwarding industry. Contract logistics continued its strong growth in Q4, primarily in the Middle East and Asia Pacific, aided by a combination of new customers and investments in new facilities. EBITDA improved 30.7% with margins expanding from 4% in Q4 2016 to 4.3% in Q4 2017.

GIL is growing through a strategy that focuses on defined solutions and customer segments, enhanced sales productivity and efficient trade lane development. In addition, GIL is building systems and solutions that enable business insight, efficiencies, and increased productivity for our operations and for our customers. GIL is continuously working hard to maintain cost discipline.

Agility's Infrastructure group

Moving into Agility's Infrastructure group, the group's revenue for grew by 12.7% for the full year 2017 and EBITDA also increased by 28.2% to KD 120.9 million with margins expanding from 29.7% in FY 2016 to 33.7% in 2017. Agility is investing in those companies to drive its future growth.

For the fourth quarter of 2017, revenue grew 25%. EBITDA increased largely on strong performance by Global Clearinghouse Systems (GCS), Agility Real Estate (RED), National Aviation Services (NAS) and Tristar.

Agility Industrial Real Estate, a leading owner and developer of logistics parks, remains one of the strongest contributors to Agility's performance. Agility Industrial Real Estate is working to improve the efficiency of its Kuwaiti assets, develop a Saudi logistics park and expand in multiple locations in Africa. In 2017, Agility broke ground on two warehouses of 38,000 SQM each in Saudi Arabia. Delivery is expected this year. In Africa, Agility identified new locations for logistics parks, and established operations in Ghana, Cote D'Ivoire and Mozambique to cater for increasing demands for warehousing services in the continent.

Tristar, a fully integrated liquid logistics company has on-boarded the strategic investor Gulf Investment Corporation (GIC) in 2017. Tristar received a capital injection of $100 million for a consideration of 19.4% of the company's capital. Tristar revenue grew from existing and new customers in 2017. Tristar continues to diversify its business via shipping growth and geographic expansion in an effort to create more value for shareholders.

National Aviation Services (NAS), Agility's airport services subsidiary posted healthy growth in Kuwait, Cote D'Ivoire and Afghanistan; with revenue in Cote D'Ivoire and Afghanistan growing more than 20%. In Q4, NAS also launched operations in Liberia and Uganda. The company is working to turnaround performance in Tanzania and Morocco.

UPAC, a leading real estate and facilities management company in the Middle East, experienced a strong year in 2017. It improved operational efficiencies and reduced costs across its key operations within the Kuwait International Airport, Sheikh Saad Terminal and Discovery Mall. UPAC is also developing the 450-store Reem Mall in Abu Dhabi in partnership with National Real Estate Company (NREC). Financing for the $1.2 billion project concluded in 2017.
GCS, a company specialized in customs modernization, manages all customs activities at ports of Kuwait and aims to enhance customs modernization through its services. GCS showed improved performance in 2017 by deploying new services within different ports.

Closing

Agility is accelerating its strategy to transform the business through technology and establish its position as the leading digital player in our industry. The company continues to grow in emerging markets logistics parks, fuel logistics, airport services, and commercial real estate development. The core commercial logistics business is also growing its volumes, despite margin pressure in a tight market. Finally, Agility wants to thank its shareholders, customers, employees and partners for their commitment that reflected a strong year.

Tarek Abdulaziz Sultan Al-Essa
Vice Chairman and CEO

Financial Highlights

Financial Highlights

Revenue

2017 **1,407 KD Mn**

+14% Vs. 2016

EBITDA

2017 **135 KD Mn**

+17% Vs. 2016

Net Income

2017 **69 KD Mn**

+16% Vs. 2016

EPS

2017 **54 Fils**

+17% Vs. 2016

Total Equity

2017 **974 KD Mn**

+6% Vs. 2016

Total Assets

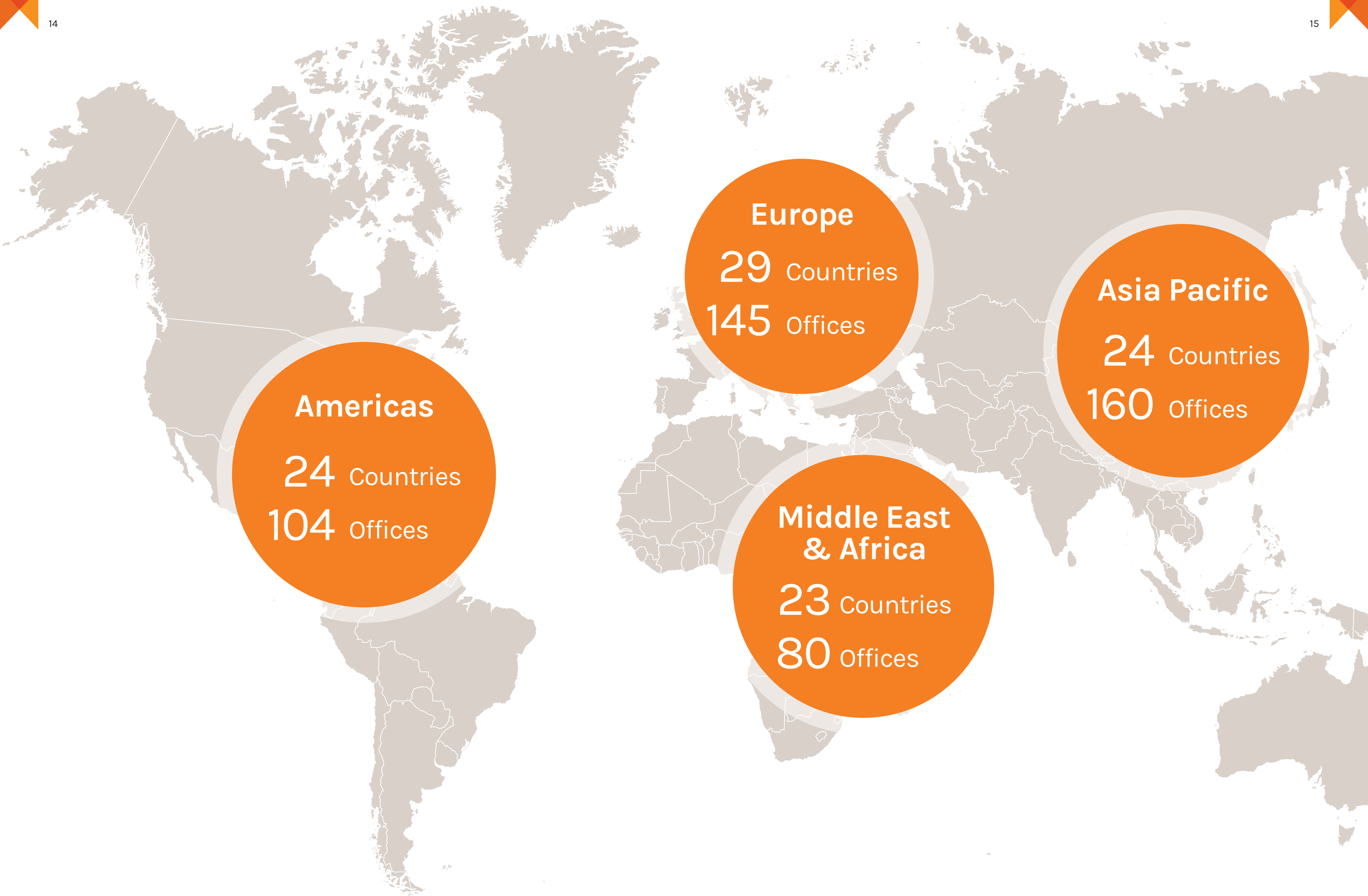
2017 **1,729 KD Mn**

+12% Vs. 2016

Financial Highlights

		2017	2016	2015
Revenue	KD	**1,407**	1,234	1,303
EBITDA	KD	**135**	115	100
Net Income	KD	**69**	59	53
EPS	Fils	**54.41**	51.34	46.41
Total Assets	KD	**1,729**	1,544	1,462
Total Equity	KD	**974**	921	907
Net (Debt)	KD	**(93)**	(45)	33

Geographic Presence


Europe
29 Countries
145 Offices
Asia Pacific
24 Countries
160 Offices
Americas
24 Countries
104 Offices
Middle East & Africa
23 Countries
80 Offices

Social Responsibility and Sustainability

Social Responsibility and Sustainability Report:

Agility demonstrates its commitment to corporate social responsibility and sustainability by acting with integrity and contributing to communities where it operates. Our program addresses issues of importance to the communities in which we operate, such as youth & education, health, environment, humanitarian logistics and fair labor. Employee health, safety and security are part of our core values, as is ethics.

These priority issues are also reflected in our CSR program. We are engaged in a number of sustainability initiatives with partner organizations like the World Economic Forum and Business for Social Responsibility. We believe our customers and communities expect responsible conduct from Agility and that they want more sustainable business practices from logistics providers. By building a culture of responsible and sustainable conduct, we benefit the communities where we work, contribute toward a cleaner planet, add to the sense of pride and collective spirit among our employees, and strengthen our relationship with customers and shareholders.

Environment

We measure our impact to keep our business healthy and to comply with changing regulations. Our customers want to understand their environmental footprint so we can help them build greener supply chains. We offer customers green solutions and engage with all our stakeholders on important environmental issues.

Community

We can contribute to sustainable development that builds stronger communities, future markets and talent for our business. We focus on youth and education, community health and environment.

Humanitarian Assistance

We have the skills, experience and resources to support humanitarian partners in rapid response emergency logistics after natural disasters. We partner with the World Food Program and UN Global Logistics Cluster to help deliver aid following humanitarian emergencies and to help communities prepare for disasters.

Our People

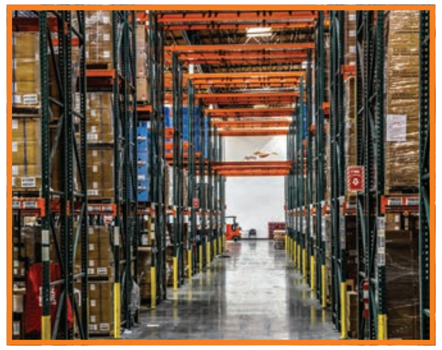
Being responsible starts at home. We employ more than 22,700 people around the world, and our stakeholders expect Agility to treat its employees with dignity and fairness. We focus on preventing human rights abuses, creating safe work environments, providing training to our team members and offering means for employees to report concerns.

2017 Kuwait Community Projects

Employees from Agility - Kuwait and LABCO, one of Agility's Infrastructure companies, participated in INJAZ's Job Shadow workshop, mentoring 23, 12-grade students from the INJAZ Junior Achievement Program.

Since 2005, Agility has partnered with INJAZ-Kuwait. INJAZ is a nonprofit, non-governmental organization (NGO) driven by Kuwait's private sector. Through strategic partnerships with Kuwait's business and education sectors, and with the help of qualified and dedicated volunteers, INJAZ delivers educational programs on entrepreneurial and leadership skills aimed at inspiring and educating future generations. Jointly with Agility, INJAZ has helped mentor nearly 200 students through various education programs. Programs include innovation camps, job shadow workshops, personal finance workshops, Steer Your Career seminars, and entrepreneurship master classes.

Over the past nine years, Agility - Kuwait has partnered with LOYAC, a local nonprofit organization as it works to develop tomorrow's leaders. In 2017, LOYAC announced the acceptance of 40 students into the Agility-supported KON (Social Entrepreneurship Program), based on the Babson College Curriculum.



The Agility - Kuwait warehousing and operations team has run a recycling program for the past four years. In 2017, 15,296 kg of plastic, 106,297 kg of cardboard, 1,900 kg of metal and 3,475 wooden pallets were recycled from the Sulaibiya and Mina Abdullah warehouse operaitons locations. Funds raised from the program are directed to employee welfare programs.

Agility - Kuwait continues to participate in the Innovate for Refugees – MIT Enterprise Forum Pan Arab's Regional Competition, in which students compete for the best tech-driven solutions to social and business challenges. The program addresses issues related to the ongoing refugee crisis and is focused on engaging young people affected by the crisis who are keen to develop entrepreneurial skills.

Agility co-founded the RunKuwait event, now in its eighth year, with the Fawzia Sultan Rehabilitation Institute. The annual event raises money for children with disabilities or those who are in need of rehabilitation services. In 2017, Agility - Kuwait employees numbered among the 2,000 participants.

2017 Global Community and Environment Projects

Since 2006, Agility has invested in more than 1,700 community projects in 80 countries, and donated services in more than 50 natural disasters around the world, reaching more than 1.6 million people in need.

Agility runs an annual Global Education Drive, where team members around the world volunteer in their communities on children's education projects. In 2017, more than 300 Agility employee volunteers supported more than 5,000 students in 17 countries through the Global Education Drive. Since 2006, more than 7,000 employees have positively impacted more than 125,000 students in more than 600 youth and education projects completed under our Community Volunteering program. Each year Agility employees around the world celebrate Earth Day by volunteering for community projects related to the environment. These projects range from tree plantings, chemical safety workshops, recycling, community clean-up events, and fundraising for ecological causes. In 2017, 1,805 of our team members volunteered on 50 community environment projects in 18 countries in support of our Earth Day and environmental programs. Since 2006, our Earth Day and environmental program has seen more than 15,800 employees volunteer in more than 45 countries around the world to protect our environment.

Agility - Vietnam partnered with Bao Van Pagoda, a local nonprofit, to distribute food to more than 3,000 locals in several areas in Vietnam and Cambodia.

Forty-three Agility - India employees participated in a Notebook & Stationery Distribution Drive, donating 27,500 books for more than 2,300 students in 15 government schools and NGOs.

Agility - Jordan partnered with the Children's Museum to host approximately 3,000 children with their families during Ramadan.

Twenty-eight Agility - Egypt employees partnered with the nonprofit organization El Malak to support four schools, benefiting more than 700 students.

Agility - Singapore employees distributed 500 toys to needy children for the nonprofit Food from the Heart.

The Agility - Bangladesh team organized green initiatives to commemorate annual Earth Day celebrations for 500 students.

Agility - Thailand employees distributed school supplies, blankets and food, and offered scholarships to 220 disadvantaged students in a rural school.

Agility - Philippines donated school equipment, supplies, clothes and footwear to 677 children in two different cities.

Agility - Vietnam organized a lunar new year party for 660 students in a disadvantaged area to encourage their school participation.

Agility - Germany employees came together to provide active support to a children's hospice they have been supporting for years, benefiting around 350 children and their families.

Agility employees in Irvine, California, created a health campaign challenge titled Get Ready, Get Set, STEP! involving 100 employees in branches across North America and Canada to raise money for charity.

Agility - Pakistan partnered with the World Wildlife Foundation to create Earth Day projects for 70 employee volunteers.

Agility - Indonesia organized two green initiatives with the objective of decreasing the effects of landslides and helping to preserve the environment.

Agility - Taiwan employees led a beach cleanup activity on Earth Day 2017, involving 40 employees and their relatives for greater impact.

To commemorate Earth Day in 2017, 55 Agility - Philippines employees joined the annual Nat GEO Run, organized by the World Wildlife Foundation.

Agility - Bangladesh initiated its second school year, supporting the Gulshan Literacy Program. Ten Agility volunteers donated their time to tutor 500 students in English, basic computer skills and other subjects.

As part of the Global Education Drive, Agility - Romania donated computer equipment that will benefit more than 1,150 students in four schools. The team also led a student-run donation drive to collect clothes and toys for the Save the Children Foundation.

2017 Humanitarian Assistance Projects

As part of the Logistics Emergency Teams (LET), Agility responded to eight natural disasters in 2017. The LET was launched at the World Economic Forum's (WEF) Annual Meeting at Davos in 2008. It is designed to allow the humanitarian community to make a single phone call to obtain access to the combined and coordinated services of four major logistics companies. As a part of the LET, Agility has also supported humanitarian relief efforts following natural disasters in Bangladesh, Mexico, Peru, Thailand, The United States, Yemen, Japan, Pakistan, Haiti, Myanmar, and the Philippines. The LET have also been deployed to Indonesia, Nigeria, Kuwait, and Turkey to assist humanitarians in preparing staging areas for regional disaster operations.

Following a massive flood, Agility - Peru provided transportation support to move more than 400 tons of aid material to support flood victims.

During Yemen's massive cholera outbreak that affected more than 500,000 people, Agility procured and delivered a 20-foot refrigerated shipping container to the UN Global Logistics Cluster. The container is being used to store critical medicine in refrigerated conditions.

Supporting Red Cross missions after flooding, Agility - Thailand's 316 volunteers contributed multiple truck deliveries of flood relief items to 16,300 people in 12 flood-stricken provinces covering more than 22,000km.

Following two major earthquakes, Agility - Mexico employees collected donations for the Mexican Red Cross and purchased and distributed necessary life-support items to 430 of those affected.

After Hurricane Harvey, Agility - USA employees raised more than $52,000 in donations for necessary supplies for Houston-based co-workers who experienced housing and other material losses.

Agility donated a 20-foot refrigerated shipping container to the UN Global Logistics Cluster to enable humanitarian organizations to store cholera medication, to help protect the Rohingya refugees who have fled Myanmar and are living in Cox's Bazar, Bangladesh.

Agility launched a global fundraising campaign to raise funds to support the United Nations High Commissioner for Refugees (UNHCR). The proceeds from this project went toward a cash transfer program for Syrian refugees living in Jordan. More than 500 Syrian refugees in Jordan were supported through this campaign. Agility matched all employee donations dollar for dollar.

Following Puerto Rico's two devastating hurricanes, Irma and Maria, the Agility - USA team in Chicago, Illinois, raised money and conducted a food drive to benefit friends, family and others affected by the storms and subsequent power loss.

Corporate Governance Report

Introduction

Agility complies with all the rules and regulations of Corporate Governance outlined in Module 15 (Corporate Governance) of resolution No. (72) for the year 2015 on the issuance of law No. (7) for the year 2010 on the establishment of the Capital Markets Authority and the regulation of securities activities. The compliance also supports the aspirations of the company's business and ensures professionalism, responsibility, and control over the performance as those rules are an important part of the company's identity. The company adopts all institutional discipline standards outlined in the Corporate Governance Module, which includes the roles and responsibilities of the Board of Directors, the Chairman and the Chief Executive Officer, the competent committees, as well as the disclosure frameworks and standards of proper and sound risk management.

The company adopts policies of neutrality and independence on many levels and functions. For example, the separation of the Chairman position from the Chief Executive Officer. Moreover, the company has also outlined the responsibilities of the Board of Directors and their ability to oversee the company's internal control system and ensure its efficiency. The company also adopts a clear policy for disclosure and transparency of information to reflect accurate and timely communication with its shareholders.
Additionally, as per the company's organizational structure, the Board plays a key role in ensuring that the company has a sound Corporate Governance framework aligned with regulatory requirements. Accordingly, it is the ultimate responsibility of the Board of Directors to ensure that the company complies with all its legal obligations in accordance with its articles of association and commitment to its duties towards shareholders.

The Board of Director's has formed three committees, those in addition to the Executive Management and internal and external auditors of the company support the Board in carrying its duties and responsibilities.

Corporate Governance Rules and Regulations

Rule I: Construct a Balanced Board

Board Composition
The Board of Directors aims to protect the interests of all stakeholders and monitor the performance of the Executive Management. The Board also seeks to achieve the company's strategic goals by ensuring that the Executive Management is meeting its responsibilities. Moreover, the Board of Directors works to enhance the competitiveness of the company to achieve high growth rates.

Agility has a balanced Board structure that takes into account the nature and size of its business structure. The members of the Board have diverse backgrounds, expertise and qualified skills to positively impact the company's performance and enhance its financial position and market share.

The Board of Directors consists of seven members, including one independent member and a majority of non-executive Directors. The company makes sure that the Board of Directors has sufficient time to perform its duties.
Agility Board Members are:

Name	Position	Type	Back ground	Date of appointment
Henadi Al Saleh	Chairperson	Executive	Bachelor in Economics	25 May 2016
Tarek Al Sultan	Vice Chairman	Executive	Masters in Business Administration	25 May 2016
Sultan Al Sultan	Member	Non-Executive	Bachelor in Management	29 March 2017
Adel Al Bader	Member	Non-Executive	Bachelor in Economics and Finance	25 May 2016
Ayman Al Sultan	Member	Non-Executive	Masters in Business Administration and Economics	25 May 2016
Naser Al Rashed	Member	Independent	Bachelor in Engineering	25 May 2016
Faisal Al Sultan	Member	Non-Executive	Bachelor in Science	25 May 2016
Sonia Al Sharafi	Board Secretary	Board Secretary	More than 25 years of experience	25 May 2016

Summary of registering, coordinating, and archiving the Board's minutes of meetings
The Board secretary ensures that all Board members receive the required information, documents and records they may seek and related to the Company. The Board Secretary is also responsible for all matters related to the Board's meetings including preparing meeting agendas, issuing invitations to members, taking minutes of discussions and tallying results of the votes, in-addition to ensuring the Board members are notified of meeting dates ahead of time, taking into account emergency meetings.

The secretary archives the minutes of meetings and numbers the minutes accordingly, noting the date, place, and the time of the meeting. The secretary also ensures proper communication between the Board members and company's stakeholders.

The Board of Directors held 6 meetings during 2017, and attendance was as follows:

Name	Meeting record						Attendance	Absence
	8/2/2017	8/3/2017	30/3/2017	10/5/2017	3/8/2017	2/11/2017		
Henadi Al Saleh Chairperson	√	√	√	√	√	√	6/6	0
Tarek Sultan-Vice chairman	√	√	√	√	√	√	6/6	0
Adel Al Bader - Member	√	√	√	√	√	√	6/6	0
Sultan AL Sultan - Member	X	X	√	√	√	√	4/6	2/6
Naser Al Rashed - Member	√	√	√	√	√	√	6/6	0
Ayman Sultan - Member	√	√	√	√	X	√	5/6	1/6
Faisal Al Sultan - Member	√	X	X	√	√	√	4/6	2/6

** A √ is indicated for the member's presence and X for his / her absence to determine attendance and commitment

Rule II: Establish Appropriate Roles and Responsibilities

In 2017, Agility's Board of Directors exercised its oversight to ensure that the company complied and enforced all Corporate Governance requirements as set by the Capital Markets Authority. The Board also followed a Charter that outlines the roles and responsibilities of the members, Chairman, and Executive Management in accordance with the rules and regulations of Corporate Governance.

Roles and responsibilities of the Board of Directors:

- Approving the company's goals, strategies, plans and policies
- Acknowledging annual estimated budgets and approving periodic and annual financial statements
- Supervising company's main capital expenditure, assets acquisitions and disposal of the same
- Safeguarding accuracy and validity of information to be disclosed in accordance with applicable disclosure and transparency policies and procedures
- Ensuring company's compliance with policies and procedures that are in line with internal applicable rules and regulations
- Ensuring validity of financial and accounting systems, including those relate to financial reporting
- Preparing annual Corporate Governance report to be cited in the Annual General Assembly for the company
- Forming committees where term, structure and responsibilities of each committee are clarified
- Preparing and approving of job descriptions that portray the roles and responsibilities of each member of the Board of Directors
- Defining the authority and scope of work of the Executive Management
- Holding periodic meetings with Executive Management to discuss work obstacles and challenges
- Evaluating the performance of each member of the Board of Directors and Executive Management based on preapproved Key Performance Indicators (KPIs)
- Supervising and monitoring the performance of the Executive Management, and ensuring the application of approved policies and regulations
- Setting a policy for governing the relationship with stakeholders and regulating transactions with related parties
- Ensuring appropriate control systems are used to measure and manage risk

Roles and responsibilities of the Board Chairman:

- Ensuring Board discussions of all major matters are carried effectively and timely
- Encouraging effective contribution by all members of the Board of Directors during meetings
- Representing the company to third parties in accordance with the company's articles of association
- Ensuring effective communication with shareholders and reflect their views to the Board
- Encouraging constructive relations and effective cooperation between the Board of Directors and Executive Management
- Promoting a culture of constructive criticism

Roles and responsibilities of the Executive Management:

- The company has a team of highly qualified Executive Management members able to carry out all the major duties entrusted to them in accordance with the Corporate Governance framework. Responsibilities of Executive Management include:
-
- Executing company's strategic plans, as well as ensuring adequacy and efficiency of the strategic frameworks
- Preparing periodic reports (financial and non-financial) demonstrating company's performance during a specified period in comparison to certain KPIs set by the Board
- Establishing a complete and integrated accounting system and preparing financial statements in accordance with the International Accounting Standards approved by the Authority
- Managing daily business affairs and activities, in addition to managing company resources optimally
- Participating actively in building and developing a culture of ethical values across the company
- Establishing internal audit and risk management systems and ensuring its efficiency and effectiveness

Board Committees

- Formation of various committees is part of the Board's responsibilities. The committees enable the Board to fulfill its roles effectively, in line with the company's needs and work conditions. The Board of Directors has formed committees in accordance with the rules and regulations of the Corporate Governance policy set by the Capital Markets Authority. The Board Committees include:
-
- Audit Committee
- Risk Committee
- Nominations and Remuneration Committee

Audit Committee	Formed: 24 June 2016	Period: 3 years	Members: 3
Members	Name	Role	Classification
	Naser Al Rashed	Chairman	Independent
	Adel Al Bader	Member	Non-executive
	Faisal Al Sultan	Member	Non-executive
Roles and responsibilities	• Review periodical financial statements prior to their submission to the Board of Directors and provide the Board with opinions and recommendations in order to ensure fairness and transparency of financial statements • Study accounting issues and their impact on financial statements • Evaluate the effectiveness of the internal audit systems in place, and prepare a report including opinions and recommendations of the committee in this regard • Review the results of the internal audit and regulatory bodies' reports • Review the work of the external auditor		

The committee has met 4 times during 2017, and attendance was as follows:

Members	Naser Al Rashed	4/4
	Adel Al Bader	4/4
	Faisal Al Sultan	4/4
Committee achievements	Committee main achievements in 2017: 1- Monitored the performance of the internal audit department. 2- Reviewed internal audit t reports periodically. 3- Reviewed quarterly financials before submitting them to the Board. 4- Reviewed applicable accounting policies	

Risk Management Committee	Formed: 24 June 2016	Period: 3 years	Members: 3
Members	Name	Role	Classification
	Naser Al Rashed	Chairman	Independent
	Adel Al Bader	Member	Non-executive
	Tarek Sultan	Member	Executive
Roles and responsibilities	• Prepare and review risk management strategies and policies prior to getting them approved by the Board of Directors and verifying application of such strategies and policies in a manner appropriate to the company's nature and level of activities. • Ensure availability of resources and systems sufficient for risk management. • Ensure that the risk management employees fully understand the risks surrounding the company and work to increase employees' awareness of the risk culture.		

The committee has met 4 times during 2017, and attendance was as follows:

Members	Naser Al Rashed	4/4
	Adel Al Bader	4/4
	Tarek Sultan	4/4
Committee achievements	Committee main achievements in 2017: 1- Monitored the performance of the risk management function 2- Monitored the action plan of the risk-management function 3- Approved the policy, strategy and action plan of the risk-management function	

Nominations and Remuneration Committee	Formed: 14 December 2016	Period: 3 years	Members: 3
Members	Faisal Al Sultan	Chairman	Non-executive
	Naser Al Rashed	Member	Independent
	Tarek Sultan	Member	Executive
Roles and responsibilities	• Recommending nomination and re-nomination for Board members and Executive Management • Setting a clear remuneration policy for members of the Board of Directors and Executive Management • Conducting annual review of the required skills needed for Board membership		

The committee met once during 2017, and attendance was as follows:

Members	Naser Al Rashed	1/1
	Faisal Al Sultan	0/1
	Tarek Sultan	1/1
Committee achievements	Committee main achievements in 2017: 1- The Committee reviewed and approved the remuneration policy for members of the Board and Executive Management. 2- Conducted the annual review of the needed requirements and skills for Board membership and Executive Management	

Ensuring Board Members receive information and data accurately and in a timely manner

The Board Secretary ensured effective flow of information and coordination between members of the Board of Directors. The company has an advanced information technology infrastructure that ensures Board members obtain information in a timely and accurate manner in accordance with relevant laws. Additionally, during Board meetings, the Board of Directors has the right to access any information they seek related to the company or its activity.

Rule III: Recruit Highly Qualified Candidates for Members of a Board of Directors and the Executive Management

Board members' biographies:

Henadi Al Saleh
Henadi Al-Saleh is the Chairperson of Agility's Board of Directors, and has been designated as one of the most powerful businesswomen in the Middle East by Forbes Magazine. Al-Saleh oversees the company's corporate governance program while safeguarding the interests of investors and stakeholders. She also leads the company's technology ventures team, which partners with start-ups and entrepreneurs that are reshaping the supply chain industry. Before joining Agility, Al-Saleh was the head of debt/equity capital markets at NBK Capital in Kuwait. Al-Saleh earned a Bachelor of Economics from Tufts University. She sits on the Board of the Gulf Warehousing Company in Qatar.

Tarek Sultan
Tarek Sultan is the Chief Executive Officer and Vice Chairman of Agility. Sultan assumed leadership of Agility in 1997, spearheading the company's expansion from a regional logistics company into a $4+ billion global business that has been designated as a 3PL industry leader by Gartner. Sultan holds an MBA from the Wharton School at the University of Pennsylvania and a Bachelor of Economics from Williams College. Sultan sits on the Board of Trustees for Kuwait's Silk City and Boubyan Island Development Project. Sultan is an active supporter of the World Economic Forum (WEF). He is a member of the WEF's Global Future Council on Humanitarian Systems, sits on the Boards of the WEF's Supply Chain & Transport Industry Governors and Future of Production initiative, as well as serving as a trustee for the Global Alliance for Trade Facilitation.

Adel Al Bader
Adel Mohamed Al-Bader is the Manager of the Real Estate Department at Public Institution for Social Security (PIFSS) and responsible for international and local real estate investments. He is also a member of the Investment Committee of PIFSS.

Mr. Al Bader joined PIFSS in 1985. During the past 30 years, he has held several responsible positions at the organization and managed International Equities and Commodities for PIFSS.

Other positions currently held by Mr. Al Bader in Kuwait are: Chairman for Wafra Real Estate Company, and Vice Chairman for Kuwait Medical City Company.

Mr. Al Bader is an honors graduate from Kuwait University, majoring in economics and finance.

Ayman Sultan
Ayman Sultan is the Managing Director of Security and Technical Services Group (STSG) and Sultan Telecom, subsidiaries of The Sultan Center (TSC). Prior to that he was the Chairman of the Board of TSC, a leading retailer in the Gulf and Middle East.

Under his leadership, Ayman transformed TSC from a local Kuwaiti supermarket chain of five stores and US$70 million in sales to a regional player with 84 stores in five countries with US$1 billion in sales and more than 10,000 employees. He was also responsible for turning TSC into a conglomerate with companies in the telecommunication, real estate, restaurant, investment, technical services, and distribution industries.

Prior to his current role in TSC, Ayman was the General Manager of Kuwait Free Trade Zone where he oversaw the establishment of the first privately-run free trade zone in the region.

Ayman holds a Masters in Business Administration from Babson College and a Bachelor of Arts in Economics from The Northeastern University in Boston, USA.

Faisal Sultan
Mr. Sultan is the Vice Chairman and CEO of Kuwait-based National Real Estate Company K.P.S.C., one of the leading publicly traded real estate companies in the Middle East with more than $2 billion in assets under management and projects and offices in more than 10 countries.

Before this position, Mr. Sultan served NREC by leading its business development function and as a board member, chairman and MD of various subsidiary organizations.

He is also Vice Chairman and CEO of Kuwait Agro Holding, one of the leading fruits and vegetable, poultry and dairy companies in the Middle East.

A graduate of US-based Barry University with a degree in management, Mr. Sultan is an active member of the Young President Organization in Kuwait and the UAE.

Nasser Al-Rashed
Nasser Mohammed Al-Rashed is Chairman of Aswaq Trading Company, a leading privately held retailer in Kuwait that carries successful in-house brands. Under his leadership, Al-Rashed established the company as a reputable retailer that offers high quality fashion brands to the Kuwait and Middle East markets.
Al-Rashed has strong management experience in both public and private sectors, with previous senior roles in the Civil Aviation Authority and the Kuwait Fund for Arab Economic Development. He also served as a director in several Boards of publicly listed companies in Kuwait.

Prior to his current role in Aswaq Trading Company, he was with the Public Warehousing Company where he held positions of increasing responsibility, serving as its Deputy General Manager, Managing Director, and Chairman.

Al-Rashed holds a Bachelor of Science in Engineering from Purdue University, USA, and an MBA from the University of Santa Clara, USA.

Sultan Al Sultan
Sultan Anwar Al Sultan is the CEO and Vice Chairman of Union Real Estate Co. (UREC), a leader in developing, leasing and managing luxury apartments in Kuwait.

Founded in 1975, UREC remains focused on providing the best service for its loyal customers. Mr. Sultan has been with UREC since 2008. Prior to that, he worked at Petroleum Services Co., a privately owned company focused on supplying and servicing the oil & gas sector. Mr. Sultan graduated from Northeastern University in Boston with a degree in management.

Nomination and Remuneration

The Board of Directors has formed the Nomination and Remuneration Committee in accordance with the rules stipulated in article 4-1 of the Corporate Governance Module.
Committee's main responsibilities are:

- Recommending nomination and re-nomination for members of the Board of Directors and Executive Management
- Setting clear remuneration policy for members of the Board and Executive Management, along with annual review of the required skills needed for the Board membership
- Preparing detailed annual report of all remuneration given to members of the Board and Executive Management
- Preparing job descriptions for the members of the Board of Directors

The Company, in compliance with the highest standards of transparency set forth in leading practices and Corporate Governance regulation, has prepared a detailed report on all the benefits awarded to the members of the Board and the Executive Management is as follows:

Board of Directors Remuneration
Board remuneration is recommended by the Board Nomination and Remuneration Committee and approved by the shareholders during the general assembly meeting. And as stipulated by the Articles of Associations of the company, Board remuneration should not exceed 10% of the company's net profits after deducting depreciation and reserves.

Based on the recommendation of the Nominations and Remuneration Committee, Total Board remuneration for the year 2017 was 140 thousand dinar Kuwaitis, equally distributed between all Board members. In addition, to other benefits and allowances of 350 thousand Kuwaiti Dinars distributed among the members according to their performance and the amount of work done.

Executive Management Remuneration
Executive Management remuneration consists of two components. The first component is fixed compensation based on the level of responsibilities. The second component is variable remuneration linked to the achievement of previously established targets. Both types of compensation are reviewed by the Nomination and Remuneration Committee and relative departments on an annual basis.

The total remuneration given to Executive Management for the year 2017 is as follows:

Category	Fixed remuneration KD 000	Variable Remuneration KD 000	Total KD 000
Executive Management	1,597	2,246	3,843

Rule IV: Safeguard the Integrity of Financial Reporting

Financial statements and external auditors

The Board of Directors and Executive Management provide a written undertaking affirming the soundness of financial statements, which represent all financial and operational aspects of the company, and that they have been prepared in line with International Standards approved by the Authority.

Financial Reports
The company issues a set of financial reports on a regular basis, and they include:
- Periodic and annual financial information
- Earnings reports
- Annual reports

Audit Committee
The Audit Committee is considered one of the main pillars in applying sound Corporate Governance as the committee works to incorporate the culture of accountability inside the company by ensuring the soundness and integrity of financial reporting of the company.

The Board of Directors appointed an Audit Committee according to the regulations in Article 5-6 of the Corporate Governance Module 15. The Audit Committee consists of three non-executive members and an independent member, who have diverse backgrounds consistent with the nature of the company's activity and their responsibility. The Board charter sets out the term, structure and responsibilities of the committee.

During 2017, the committee met four times during the year on a quarterly basis, and no contradictory views were noticed between the committee's recommendations and Board of Directors' resolutions.

Audit Committee responsibilities
The Audit Committee has many regulatory functions in the company such as:
- Review periodic and annual financial statements prior to their submission to the Board of Directors
- Recommend to the Board the appointment, re-appointment, or replacement of the external auditors, and specify their remuneration
- Follow up on the work of the external auditors
- Evaluate the efficiency of internal audit systems, and prepare reports and recommendations
- Review the results of the internal audit reports
- Review the outcome of regulatory bodies' reports
- Verify company compliance with relevant laws, policies and regulations

With regard to the external auditor, the Audit Committee works to:
- Recommend to the Board of Directors the appointment and re-appointment of the external auditor, as well as, specify the appropriate remuneration. Moreover, the Audit Committee should ensure that the auditor is among the approved and licensed auditors by the relevant authorities.
- Verify the independence of the external auditor periodically before his or her appointment or reappointment. The committee should ensure that the external auditor does not perform any additional tasks which may affect the external auditor's independence.

Based on the above, the Audit Committee has recommended to the Board the reappointment of the company's current external auditors, Ernst & Young - Al Aiban, Al Osaimi and Partners and RSM-Al Bazei and Partners to be presented to the AGM for approval.

Rule V: Apply Sound Systems of Risk Management and Internal Audit

The company has appointed an external consultant, reporting directly to the board, to perform its risk management responsibilities which includes, identifying and measuring the risks the company may face and gauging its risk appetite. The consultant has identified adequate internal control systems relevant to the activity of the company and the nature of its work. The risk manager has also worked on the development of regular periodic reporting systems to assist the company in performing its core functions.

Risk Management Committee

The Board of Directors has formed a Risk Management Committee according to the Corporate Governance regulations as outlined in Article 6-4 of Module 15. The committee consists of three members from the Board of Directors: an executive member, an independent member, and a chair non-executive member.

The Risk Management Committee has a number of responsibilities:

- Prepare and review risk management strategies and policies prior to getting them approved by the Board of Directors; verifying application of such strategies and policies; and ensuring that they are appropriate to the company's nature and level of activities
- Verify independence of the risk management employees from activities that exposes the company to risks
- Review the organizational structure of risk management and provide recommendations in this regard prior to the approval by the Board of Directors
- Prepare periodic reports concerning the nature of risks facing the company and submit such reports to the Board of Directors
- Assist the Board of Directors in identifying and evaluating the company's acceptable risk level, and ensuring that the company does not exceed the set level

Summary of the efficiency of company Systems of Control and Internal Audit

The company has efficient internal control systems that cover all of its activities and maintain the company's financial soundness, data accuracy, and operations effectiveness in various aspects. Within its organizational structure, the company implements the dual control audit (Four Eyes Principles), which are:

1. Sound identification of authorities and responsibilities
2. Separation of roles and elimination of conflicts of interest
3. Inspection and dual audit
4. Dual signature
5. Implementing policies and procedures to be followed while doing business
6. Advanced IT systems (e-forms approval process) for separation of duty
7. Advanced IT systems for protection (next generation firewalls, network intrusion detection systems, Unified Threat Management (UTM) Appliances, Trend Micro Antivirus)

The company has hired an independent company (Deloitte) to evaluate and review the internal audit systems in place and prepare a report in this regard (Internal Control Report) to be presented to the Capital Markets Authority.

The company will hire another audit firm to revise and evaluate the internal audit department/office/ unit periodically every three years.

Internal Audit Department

Agility's Internal Audit Department enjoys full technical independency by reporting directly to the Internal Audit Committee. The department ensures that all policies and procedures are followed within all departments and examines risk factors and current systems to evaluate the efficiency of the company's daily operations and its ability to encounter the unforeseen market changes. Furthermore, the department evaluates performance of the Executive Management in applying internal audit systems. The department prepares periodic reports on all the work done including their recommendations to be presented to the internal audit committee.

Rule VI: Promote Code of Conduct and Ethical Standards

The company, represented by the Board of Directors and Executive Management and its employees, believes that the professional and ethical standards are of the most important aspect in the company's success. Upon this belief, the company complies with the approved policies of the Board of Directors in this regards. The policies stipulate that in the case of violation, the responsibility of reporting is on every employee without exception. The policies touch upon other important aspects, such as the relationship with trading partners and the integrity of financial data, as well as the safety of information and the environment. The Board of Directors, Executive Management, and employees are required to follow these policies in all of their job functions and duties.

Summary of the policies and mechanisms to reduce the conflicts of interest

The Conflict of Interest policy is an integral part of the Company's compliance to the principles of integrity and fairness in dealing with stakeholders and sets out the disclosure mechanisms and procedures for dealing with conflicts of interest. The policy verifies that the Board of Directors is appropriately dealing with expected and potential conflicts of interest. Moreover, it outlines that all decisions are to be taken in the interest of the company. The policy also articulates the roles of the Board of Directors, Executive Management, the internal audit department, and the company's general assembly in the case of a conflict of interest.

Rule VII: Ensure Timely and High-Quality Disclosures and Transparency

Summary of applying disclosure and presentation mechanisms that are accurate and transparent

Disclosures are meant to outline material information (financial and non-financial) that concern investors and stakeholders. Disclosures are released regularly (specific financial periods) or immediately when a significant event happens to ensure that all related parties receive the news of the events and so that no party is able to exploit the information.

The company is committed to a work environment that is transparent and in accordance with the best Corporate Governance practices, and in compliance with the instructions of regulatory authorities. The company has approved a detailed policy related to disclosures and transparency that outlines material information that requires disclosures. Detailed disclosures are considered essential for evaluating company's performance and contribute to the understanding of the shareholders and investors towards the structures, activities, and processes applied by the company in regards to ethical standards.

The policy outlines all kinds of disclosures related to the company and gives general guidance to the disclosure department in carrying out its operations effectively and efficiently. The company has prepared a special document that illustrates all the periodic reports and records that are related to regulatory bodies.

Brief on the application of the disclosures record and its requirements

The company has created a record of disclosures for the members of Board of Directors and Executive Management, which is updated on a regular basis and can be accessed by any shareholder without any fee or charge. The disclosures report includes Board and Executive Management members' ownership in all listed securities on Boursa Kuwait and any trade done by them on company's stock, in addition to all other disclosures outlined by the Capital Markets Authority executive bylaws.

Brief on the requirements to form the investor relations department

The company has an Investor Relations department that is responsible for providing all the necessary data, information, and reports that are relevant for its investors. The department is appropriately independent, being able to provide whatever information or data when requested. All company's disclosures are available on the website with the department's contact information if required.

Brief on the development of a basic structure of IT systems that are required the disclosures

The company has developed an advanced IT system that is used for its financial and nonfinancial activities. The company's financial, human resource, and legal departments have a unique IT system between them, in addition to a program that was created by the IT department to identify and segregate duties.

The company has also developed a frequently updated website that efficiently displays all appropriate data, information, and disclosures of its activities that help shareholders and investors exercise their rights and evaluate the company's performance.

Rule VIII: Respect the Rights of Shareholders

Summary on applying the requirements of identifying and protecting the general rights of shareholders to ensure the fairness and equality

A sound governance system ensures that all shareholder are treated with fairness and equality. The company strives to treat all shareholders equally and discloses all information necessary according to the regulations of the Capital Markets Authority executive bylaws. The company seeks to achieve the highest level of transparency, accountability, and effective management through the application of efficient strategies, objectives, and policies in compliance with the regulatory and ethical responsibilities.

The company's articles of association and regulations clearly states all the rights of the shareholders thereof, in a manner that achieves fairness and equality without contradiction with the applicable laws, regulations, resolutions and instructions issued in this regard.

Moreover, the company strives to strengthen its communication with its investors and financial analysts. The company is committed to transparency in providing its financial information through various communication channels in accordance to the best professional practices of disclosures and transparency.

Summary on creating and retaining a special record from the Clearing Agency to include the requirements of monitoring shareholder data

For purposes of ongoing monitoring of all matters related to shareholders' data, the company created and maintain a special record at the Kuwait Clearing Company (KCC), containing all the necessary information related to shareholders. The KCC updates this record on a regular basis. The data is maintained with the highest degree of protection and confidentiality.

Brief on how to encourage the shareholders to participate and vote in the company's general assembly meetings

The articles of association include all shareholder rights with regard to the general meetings and attendance of the general assembly meeting. The articles also include the work agenda, voting rights, and voting procedures of the general shareholder meetings as well as participation. The company has developed a policy for the protection of shareholders' rights that is available for all shareholders.

Rule IX: Recognize the Roles of Stakeholders

Brief on the conditions and policies that ensure the protection of the rights of stakeholders

The company works to respect and protect the rights of stakeholders in all their dealings, whether internally or externally, as contributions of stakeholders are important in establishing company competitiveness and in supporting the levels of its profitability. In order to prevent conflicts of interest between dealings of stakeholders, whether they are agreements or transactions with the company, and the interest of shareholders, the following is considered:

- No stakeholders shall be given any advantages or preference in any transaction that are part of the company's activities.
- The company implements and follows clear policies and procedures including a clear mechanism of awarding agreements and transactions of various types.

Brief on how to encourage Stakeholders to keep track of the company' various activities

The company has developed a policy to ensure the acknowledgement and protection of the rights of stakeholders through various rules and measures. The policy is available for stakeholders in order to help them understand their rights and obligations. The policy also sheds some light on how to provide stakeholders access to all necessary information and data related to their activities.

The company also maintains a complaints section on its website. It is reviewed by the Compliance Department in order to take appropriate action.

Rule X: Encourage and Enhance Performance

Summary on the development of mechanisms that allow the Board members and Executive Management to attend training programs and courses regularly

Continuous training of the Board members and Executive Management is a cornerstone of good governance rules and enhances the company's performance.

The company has a clear policy that allows for Executive Management members access to training programs, internally and externally, on a regular basis. As for the Board members, they are encouraged to regularly attend events and conferences to help them be up to date with the company's business and standing. These programs are meant to keep the Board members and Executive Management up to date with all new regulations and their impact on the company's business.

Brief on the evaluating the performance of the Board of Directors as a whole as well as the performance of each board member and Executive Management

The Board of Directors charter identified the way to evaluate every Board member and the Board as a whole through a set of performance measurement indicators tied to the achievement of strategic goals of the company.

As for the Executive Management members, their performance is evaluated by the Executive Compensation Committee on a regular basis through indicators set by the committee that are consistent with the company's goals.

Brief on the Board of Directors' effort to assert the importance of corporate value creation with the employees at the company through continuous endeavor to achieve the company strategic goals, and key performance indicators

The Board of Directors work continuously to assert and encourage corporate value creation in the short, medium, and long term through developing processes and procedures to achieve company's strategic objectives and improve levels of employees' performance and stimulating them to work continually to contribute to company's performance.

Rule XI: Focus on the Importance of Corporate Social Responsibility

Summary on the application of a policy intended to accomplish a balance between the company's business goals and corporate social responsibility goals

Social responsibility is the commitment by the company to act ethically and contribute to achieving sustainable development. It is achieved by laws, norms, particularly through the following steps:

- Attract national labor.
- Improve the quality of living conditions of the workforce, families, and society.
- Undertake dedicated social services and projects.

Brief on the programs and mechanisms that help to highlight company efforts in the field of social work

The company strives to achieve balance between the company goals and those of society. It undertakes efforts to improve the living, social, and economic conditions of the society (for more details, please see the CSR report on the company's website and the company's annual report.)

Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion
We have audited the consolidated financial statements of Agility Public Warehousing Company K.S.C.P (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion
As stated in Note 11 to the consolidated financial statements, the Group's investment in and loan to Korek Telecom ("Korek") is carried at KD 108,425 thousand (2016: KD 109,881 thousand) and KD 35,098 thousand (2016: KD 35,569 thousand), respectively, in the consolidated statement of financial position as at 31 December 2017. The Group has filed an arbitration related to its investment in Korek. We were unable to obtain sufficient appropriate audit evidence about the investment in Korek and the recoverability of the loan due to the nature and significant uncertainty around the investment and outcome of the arbitration. Consequently, we were unable to determine whether any adjustments to the carrying value of the investment and loan to Korek was necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditors' Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter
We draw attention to:
(i) Note 2 (a) 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 claimed substantial damages for alleged violations in both the criminal and civil proceedings. During the year ended 31 December 2017, the Group entered into a settlement agreement resolving the outstanding claims against the Group;
(ii) Note 2(b) to the consolidated financial statements, which describes the claims relating to cost reimbursable contracts with U.S. Defense Contract Audit Agency (DCAA); and
(iii) Note 26(b) to the consolidated financial statements, which describes the contingencies relating to the litigations with the General Administration of Customs for Kuwait.

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

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

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section and Emphasis of Matter section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

a) *Impairment of goodwill*
Impairment testing of goodwill performed by the management is significant to our audit because the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of the management. Estimates of future cash flows are based on management's views of variables such as the growth in the logistics sector, economic conditions such as the economic growth, expected inflation rates, impact of the competition on expected revenue and margin development and discount rates. Therefore, we identified the impairment testing of goodwill as key audit matter.

As part of our audit procedures, we assessed the knowledge and expertise of the management of the Group to perform such valuations and obtained management's impairment calculations and key assumptions, including profit forecasts and basis of selection of growth rates and discount rates. We also involved our valuation team to assist us in assessing the appropriateness of the valuation model and reviewing the reasonableness of key assumptions used in the impairment analysis, such as the discount rate and terminal growth rate. We reviewed the sensitivity analysis performed by management around key assumptions noted above and the outcomes of the assessment. Future cash flow assumptions were also reviewed through comparison to current trading performance against budget and forecasts, considering the historical consistency of budgeting and forecasting and the understanding of the reasons for growth profiles used.
We also reviewed the adequacy of the Group's disclosures included in Note 9 to the consolidated financial statements about those assumptions to which the outcome of the impairment test is more sensitive.

b) *Group audit*
The Group has large number of subsidiaries that are part of two reportable operating segments. These subsidiaries are significant to the Group's consolidated financial statements. The geographical structure and the relatively small size of some of these entities to the Group as a whole, increase the complexity of the Group's control environment and our ability as a Group auditor to obtain an appropriate level of understanding of these entities. Therefore, we identified group audit and subsidiaries as a key audit matter. Details of Group's subsidiaries and the basis of the consolidation is presented in the accounting policies and Note 4 of the consolidated financial statements.

As part of our audit, we determined the nature and extent of the audit procedures to be carried out by the component auditors of the subsidiaries based on the size and/or the risk profile of these subsidiaries. Accordingly, we identified certain significant subsidiaries and issued detailed group audit instructions to the component teams to perform full scope audit covering the significant areas and risks. For certain other subsidiaries, we have requested the component auditors to perform specific audit procedures on significant account balances. We have also set out the financial and other information required to be reported back to us as primary audit team.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

c) *Contingent liabilities and provisions from claims and proceedings*

The Parent Company and certain of its group companies are involved as a party in legal proceedings with third parties as well as investigations with certain governmental entities. As the ultimate disposition of asserted investigations, claims and proceedings cannot be determined with certainty, an adverse outcome could have a material effect on the Group's financial position, results from operations and cash flows.

The determination of (contingent) liabilities from investigations, claims and proceedings is judgmental and the amounts involved are, or can be material to the Group's consolidated financial statements as a whole. Details of Group's investigations and legal claims are presented in the Note 2, Note 11 and Note 26 of the consolidated financial statements. Due to the significant judgment and estimation uncertainty with respect to the ongoing investigations and legal claims, we identified this as key audit matter.

In response to this matter, our audit procedures included, amongst others, understanding of the Group's processes around the identification and evaluation of investigations, claims and proceedings at different levels in the organization, the recording and continuous re-assessment of the related (contingent) liabilities, provisions and disclosures in accordance with IFRS. We also inquired with management in respect of ongoing investigations or claims, proceedings and read relevant correspondence and minutes of the meetings of the Board of Directors, requested internal and external legal confirmation letters of the Group. We also assessed the appropriateness of disclosure regarding (contingent) liabilities from investigations, claims and proceedings and as shown in Note 2, Note 11 and Note 26 to the consolidated financial statements.

Other information included in the Group's 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2017 Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence about the carrying value of Group's investment and loan to Korek as at 31 December 2017. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, except for the possible effect of the matters described in the "Basis for Qualified Opinion" section above, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its Executive Regulations, as amended and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its Executive Regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

Dr. SHUAIB A. SHUAIB
LICENCE NO. 33- A
RSM Albazie & Co.

4 March 2018
Kuwait

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	*31 December 2017 KD 000's*	*31 December 2016 KD 000's*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**276,835**	251,997
Projects in progress	6	**30,065**	16,501
Investment properties	7	**283,845**	268,686
Intangible assets	8	**25,944**	29,978
Goodwill	9	**258,268**	245,989
Investment in associates	10	**54,355**	51,167
Financial assets at fair value through profit or loss	11	**108,611**	109,917
Financial assets available for sale	12	**22,669**	35,497
Other non-current assets		**41,236**	34,831
Loan to a related party	27	**61,525**	20,339
Loan to an associate	11,27	**35,098**	35,569
Total non-current assets		**1,198,451**	1,100,471
Current assets			
Inventories	13	**16,497**	14,390
Trade receivables	14	**303,977**	241,146
Other current assets	15	**84,325**	93,725
Bank balances, cash and deposits	16	**125,690**	94,305
Total current assets		**530,489**	443,566
TOTAL ASSETS		**1,728,940**	1,544,037
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**133,303**	121,185
Share premium	17	**152,650**	152,650
Statutory reserve	17	**67,781**	60,593
Treasury shares	17	**(49,239)**	(45,288)
Treasury shares reserve		**44,366**	44,366
Foreign currency translation reserve	17	**(28,775)**	(22,918)
Hedging reserve	17	**(17,542)**	(17,801)
Investment revaluation reserve	17	**2,280**	1,836
Other reserves	17	**(24,423)**	(35,397)
Retained earnings		**693,404**	661,356
Equity attributable to equity holders of the Parent Company		**973,805**	920,582
Non-controlling interests	4	**49,787**	28,660
Total equity		**1,023,592**	949,242
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	18	**45,431**	46,301
Interest bearing loans	19	**86,094**	86,911
Other non-current liabilities	20	**20,531**	11,769
Total non-current liabilities		**152,056**	144,981
Current liabilities			
Interest bearing loans	19	**132,841**	52,492
Trade and other payables	21	**412,090**	388,821
Dividends payable		**8,361**	8,501
Total current liabilities		**553,292**	449,814
Total liabilities		**705,348**	594,795
TOTAL EQUITY AND LIABILITIES		**1,728,940**	1,544,037

Tarek Abdul Aziz Sultan

Vice Chairperson and CEO

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

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2017

	Notes	**2017 KD 000's**	*2016 KD 000's*
Revenues			
Logistics and freight forwarding revenues		**1,215,755**	1,081,401
Rental revenues		**60,196**	54,691
Other services		**131,082**	97,955
		1,407,033	1,234,047
Cost of revenues		**(937,168)**	(804,936)
Net revenues		**469,865**	429,111
General and administrative expenses	22	**(350,514)**	(329,869)
Reversal of provisions	2	**29,505**	-
Settlement of litigation claims	2	**(28,785)**	-
Change in fair value of investment properties	7	**12,767**	5,143
Impairment of financial assets available for sale	12	**(6,300)**	-
Share of results of associates	10	**4,295**	4,446
Gain on bargain purchase on acquisition of subsidiary		**-**	1,045
Miscellaneous income		**4,390**	5,300
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		**135,223**	115,176
Depreciation	5	**(29,844)**	(28,092)
Amortisation	8	**(4,034)**	(4,017)
Profit before interest, taxation and Directors' remuneration (EBIT)		**101,345**	83,067
Interest income		**3,302**	2,066
Finance costs		**(11,577)**	(7,922)
Profit before taxation and Directors' remuneration		**93,070**	77,211
Taxation	23	**(10,652)**	(9,453)
Directors' remuneration		**(140)**	(140)
PROFIT FOR THE YEAR		**82,278**	67,618
Attributable to:			
Equity holders of the Parent Company		**68,510**	59,053
Non-controlling interests		**13,768**	8,565
		82,278	67,618
BASIC AND DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (fils)	24	**54.41**	46.67

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	2017 KD 000's	*2016 KD 000's*
Profit for the year	**82,278**	67,618
Other comprehensive income:		
Items that are or may be reclassified to consolidated statement of income in subsequent periods:		
Net change in fair value of financial assets available for sale	**444**	542
Gain on hedge of net investments (Note 19)	**40**	104
Gain on cash flow hedges	**219**	320
Foreign currency translation adjustments	**(3,543)**	(10,317)
Net other comprehensive loss that are or may be reclassified to consolidated statement of income in subsequent periods	**(2,840)**	(9,351)
Items that will not be reclassified to consolidated statement of income in subsequent periods:		
Re-measurement gain (loss) on defined benefit plans (Note 18)	**3,748**	(4,218)
Net other comprehensive gain (loss) that will not be reclassified to consolidated statement of income in subsequent periods	**3,748**	(4,218)
Other comprehensive income / (loss)	**908**	(13,569)
Total comprehensive income for the year	**83,186**	54,049
Attributable to:		
Equity holders of the Parent Company	**67,104**	48,016
Non-controlling interests	**16,082**	6,033
	83,186	54,049

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017 KD 000's	*2016 KD 000's*
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration		**93,070**	77,211
Adjustments for:			
Change in fair value of investment properties	7	**(12,767)**	(5,143)
Share of results of associates	10	**(4,295)**	(4,446)
Gain on bargain purchase of investment in a subsidiary		**-**	(1,045)
Provision for impairment of trade receivables	14	**1,102**	2,137
Provision for employees' end of service benefits	18	**9,257**	9,802
Impairment of financial assets available for sale	12	**6,300**	-
Foreign currency exchange gain		**(376)**	(1,074)
Reversal of provisions	2	**(29,505)**	-
Settlement of litigation claims	2	**28,785**	-
Miscellaneous income		**(4,390)**	(5,300)
Interest income		**(3,302)**	(2,066)
Finance costs		**11,577**	7,922
Depreciation	5	**29,844**	28,092
Amortisation	8	**4,034**	4,017
Operating profit before changes in working capital		**129,334**	110,107
Inventories		**(2,344)**	(2,383)
Trade receivables		**(53,138)**	(12,814)
Other current assets		**(6,494)**	(21,728)
Trade and other payables		**44,993**	24,360
Cash from operations		**112,351**	97,542
Settlement of litigations claims	2	**(28,785)**	-
Taxation paid		**(10,316)**	(8,835)
Directors' remuneration paid		**(140)**	(140)
Employees' end of service benefits paid	18	**(8,402)**	(7,818)
Net cash flows from operating activities		**64,708**	80,749
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(43,589)**	(58,871)
Proceeds from disposal of property, plant and equipment		**795**	809
Additions to projects in progress	6	**(18,930)**	(6,435)
Net movement in other current asset		**11,573**	-
Additions to investment properties	7	**(2,192)**	(2,061)
Acquisition of investment in an associate		**-**	(863)
Acquisition of additional interest in subsidiaries		**(39)**	-
Acquisition of subsidiaries net of cash acquired	31	**(5,541)**	(5,115)
Net movement in financial assets available for sale		**(1,537)**	1,278
Loan to a related party	27	**(38,914)**	(9,526)
Dividends received from an associate	10	**1,698**	1,548
Net movement in deposits with original maturities exceeding three months	16	**7,065**	(218)
Interest income received		**570**	843
Net cash flows used in investing activities		**(89,041)**	(78,611)
FINANCING ACTIVITIES			
Purchase of treasury shares		**(3,951)**	-
Net movement in interest bearing loans		**82,615**	32,363
Finance costs paid		**(11,045)**	(8,524)
Dividends paid to equity holders of Parent Company		**(17,337)**	(34,353)
Dividends paid to non-controlling interests		**(10,576)**	(3,773)
Increase of non-controlling interests in a subsidiary		**22,568**	-
Net cash flows from (used in) financing activities		**62,274**	(14,287)
Net foreign exchange translation differences		**509**	(7,818)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**38,450**	(19,967)
Cash and cash equivalents at 1 January		**87,240**	107,207
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	**125,690**	87,240

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Attributable to equity holders of the Parent Company												
	Share capital KD 000's	Share premium KD 000's	Statutory reserve KD 000's	Treasury shares KD 000's	Treasury shares reserve KD 000's	Foreign currency translation reserve KD 000's	Hedging reserve KD 000's	Investment revaluation reserve KD 000's	Other reserves KD 000's	Retained earnings KD 000's	Sub total KD 000's	Non controlling interests KD 000's	Total equity KD 000's
As at 31 December 2016	121,185	152,650	60,593	(45,288)	44,366	(22,918)	(17,801)	1,836	(35,397)	661,356	920,582	28,660	949,242
Profit for the year	-	-	-	-	-	-	-	-	-	68,510	68,510	13,768	82,278
Other comprehensive (loss) income	-	-	-	-	-	(5,857)	259	444	3,748	-	(1,406)	2,314	908
Total comprehensive (loss) income for the year	-	-	-	-	-	(5,857)	259	444	3,748	68,510	67,104	16,082	83,186
Dividends (Note 17)	-	-	-	-	-	-	-	-	-	(17,156)	(17,156)	-	(17,156)
Issue of bonus share (Note 17)	12,118	-	-	-	-	-	-	-	-	(12,118)	-	-	
Purchase of treasury shares	-	-	-	(3,951)	-	-	-	-	-	-	(3,951)	-	(3,951)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-			(10,576)	(10,576)
Transfer to statutory reserve	-	-	7,188	-	-	-	-	-	-	(7,188)	-	-	-
Acquisition of investments in subsidiaries (Note 31)	-	-	-	-	-	-	-	-	-	-	-	232	232
Increase of non-controlling interest in a subsidiary (Note 4)	-	-	-	-	-	-	-	-	7,260	-	7,260	15,394	22,654
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	(34)	-	(34)	(5)	(39)
As at 31 December 2017	**133,303**	**152,650**	**67,781**	**(49,239)**	**44,366**	**(28,775)**	**(17,542)**	**2,280**	**(24,423)**	**693,404**	**973,805**	**49,787**	**1,023,592**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Attributable to equity holders of the Parent Company												
	Share capital KD 000's	Share premium KD 000's	Statutory reserve KD 000's	Treasury shares KD 000's	Treasury shares reserve KD 000's	Foreign currency translation reserve KD 000's	Hedging reserve KD 000's	Investment revaluation reserve KD 000's	Other reserves KD 000's	Retained earnings KD 000's	Sub total KD 000's	Non controlling interests KD 000's	Total equity KD 000's
As at 31 December 2015	121,185	152,650	60,593	(45,288)	44,366	(15,133)	(18,225)	1,294	(31,225)	636,809	907,026	24,449	931,475
Profit for the year	-	-	-	-	-	-	-	-	-	59,053	59,053	8,565	67,618
Other comprehensive (loss) income	-	-	-	-	-	(7,785)	424	542	(4,218)	-	(11,037)	(2,532)	(13,569)
Total comprehensive (loss) income for the year	-	-	-	-	-	(7,785)	424	542	(4,218)	59,053	48,016	6,033	54,049
Dividends (Note 17)	-	-	-	-	-	-	-	-	-	(34,506)	(34,506)	-	(34,506)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,316)	(4,316)
Acquisition of investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,990	1,990
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	46	-	46	504	550
As at 31 December 2016	121,185	152,650	60,593	(45,288)	44,366	(22,918)	(17,801)	1,836	(35,397)	661,356	920,582	28,660	949,242

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

1- CORPORATE INFORMATION

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

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

The principal subsidiaries and their activities are explained in Note 4.
The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 20 February 2018, and are issued subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

2- SUBSISTENCE PRIME VENDOR AND OTHER CONTRACTS - US INVESTIGATION

a) Subsistence Prime Vendor Contract
In 2007, the Parent Company was served with an administrative subpoena and, subsequently, in March 2008, with a grand jury subpoena, by the US Government in connection with an investigation into certain aspects of the Subsistence Prime Vendor ("SPV") Contract which expired in December 2010. In addition, some employees of the Group were served with grand jury subpoenas. 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 fraud allegations. Furthermore, The United States Department of Justice also joined the qui tam lawsuit against the Parent Company under the US False Claims Act (the "Qui Tam Proceedings"). The Department of Justice claimed substantial damages for alleged violations.

In May 2017, the Parent Company entered into a global settlement of the Qui Tam Proceedings. The Parent Company agreed to plead in the criminal portion of the case to a misdemeanor in connection with a single invoice valued at $551 (KD 167). The misdemeanor is a minor offense, unrelated to any of the original criminal charges, requiring the Parent Company to pay a maximum of $551 and no criminal fine. In the parallel civil proceedings of the case, the Parent Company paid $95 million (KD 28.8 million) in cash. In addition, the Parent Company and the U.S. government agreed to mutual releases of all outstanding contract claims related to the SPV Contract. The global settlement and mutual dismissal of all claims by both parties allowed the company to release operational credit reserves of KD 29.5 million. The settlement resolved all outstanding issues with the U.S. government in connection with the SPV Contract for the Parent Company, its affiliates, employees, directors, and officers. It also allows the Parent Company to resume pursuit of new U.S. government contracts. Under the terms of the settlement, the U.S. government has agreed to remove the Parent Company and its subsidiaries and affiliates from the list of suspended companies on its System for Award Management (SAM) database, formerly known as the Excluded Parties List System (EPLS). Subsequently, the court approved the joint dismissal of the civil case and ordered restitution of $551 and a special assessment of $125. The court did not impose a fine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

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

a) Subsistence Prime Vendor Contract (continued)
In October 2016, U.S. Defense Logistics Agency (DLA) sent a demand that the Parent Company reimburse the U.S. Government an amount of approximately KD 8.4 million for alleged "bottled water overcharges." The U.S. Government paid the claimed amount to the Parent Company for supplying bottled water to the U.S. military in Afghanistan in 2005. DLA claimed that the Parent Company misrepresented the price of bottled water because PWC's supplier, Supreme Foodservice, charged an artificially-high price for the water that Supreme sold to the Parent Company. DLA did not present any evidence that the Parent Company was complicit in, or had any actual or constructive knowledge of, Supreme's fraud at the time the Parent Company purchased bottled water from Supreme. On March 1, 2017, DLA sent a letter threatening to take offsets against amounts due under other U.S. government contracts. On March 8, 2017, the Parent Company requested deferment of the offsets based on the differing contractual parties. In May 2017, under a global settlement agreement signed with DLA covering various other claims and counter claims as mentioned above, the Parent Company settled this case without prejudice.

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

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

On April 8, 2015, the Parent Company appealed the ASBCA ruling to the U.S. Court of Appeals for the Federal Circuit. As part of the same contract, the Parent Company asserted a KD 13 million claim for non-reimbursed costs. This claim was denied by the ASBCA and consolidated with the above referenced Government claim for KD 23 million. Both claims are therefore on appeal to the U.S. Court of Appeals for the Federal Circuit. The Parent Company also filed a separate complaint at the U.S. Court of Federal Claims on 7 April 2015 on a different jurisdictional basis seeking the KD 13 million affirmative claim, the KD 4.7 million which was offset by the U.S. Government as aforementioned, and a determination that the KD 23 million demanded by the US Government is invalid. On 10 March 2016 the U.S. Court of Appeals for the Federal Circuit granted a limited remand back to the ASBCA for the purpose of determining the real party in interest. Notwithstanding this remand, the U.S. Court of Appeals for the Federal Circuit retained jurisdiction over the appeal. On February 14, 2017, the ASBCA issued a decision concluding that the identity of the real party in interest did not affect the ASBCA's earlier decision dismissing the Parent Company's claims for lack of jurisdiction. After the ASBCA issued its decision on remand, the Federal Circuit appeal recommenced. The government filed its brief on April 25, 2017, and the Parent Company filed its reply on May 9, 2017. Oral arguments were held on November 6, 2017. The case remains under consideration by the Federal Circuit.

On September 14, 2016, the Parent Company filed a protective claim for approximately $47 million in case of any technical defect found in the Parent Company's April 2011 claim. On November 14, 2017, the Parent Company filed a protective complaint in the U.S. Court of Federal Claims challenging the US Government's deemed denial of the September 2016 claim. This lawsuit has been stayed pending the resolution of the Federal Circuit appeal.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Group) including special purpose entities as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the application of this standard does not have significant impact on the Group's financial position.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied amendments retrospectively. However, their application has no significant effect on the Group's financial position and performance.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2017 did not have any material impact on the accounting policies, financial position or performance of the Group.

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

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments (IFRS 9), the standard that will replace IAS 39 Financial instruments: recognition and measurement for annual periods on or after 1 January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date from 1 January 2018. The Group will avail the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement including impairment change. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in opening retained earnings and reserves as at 1 January 2018. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9.

(a) Classification and measurement
The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements will be presented in OCI with no subsequent reclassification to the statement of profit or loss, unless an accounting mismatch in profit or loss would arise.

Upon adoption of IFRS 9 the Group expects certain changes in classification of financial assets and related reclassifications between retained earnings and fair value reserve. The Group does not expect a material impact on equity due to changes in classification of financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)
IFRS 9 Financial Instruments (continued)

(b) Impairment
IFRS 9 requires the Group to record expected credit losses on all its investments, loans and receivables, either on a 12 month or lifetime basis. The Group will apply a simplified approach and record lifetime expected losses on all investments, trade receivables and other receivables which management has assessed and will not have a material impact on the consolidated financial statements of the Group.

(c) Hedge Accounting
The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's consolidated financial statements.

(d) Disclosure
The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group's assessment included an analysis to identify data gaps against current process and the Group is in process of implementing the system and controls that it believes will be necessary to capture the required data.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. During 2017, the Group has performed a detailed evaluation of the effect of IFRS 15 on the Group's consolidated financial statements, based on which the Group does not expect any significant impact on adoption of this standard.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the financial year 2018, when the Group will adopt IFRS 15.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)
IFRS 16 Leases (continued)

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is in the process of evaluating the impact of IFRS 16 on the Group's 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 statement of income.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

All other assets are classified as non-current.

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

The Group classifies all other liabilities as non-current.

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Build-own-transfer ("BOT") projects
BOT projects are amortised over the duration of the individual contracts in the range of 4 to 20 years.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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

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

Derecognition of financial assets and liabilities
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)
Initial recognition and subsequent measurement (continued)

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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

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

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

Employees' end of service benefits
Expatriate and Kuwaiti employees are entitled to an end of service indemnity payable under the Kuwait Labor 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, is made by calculating the notional liability had all employees left at the reporting date.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)
International (continued)
Past service costs are recognised in consolidated statement of income on the earlier of:

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements, estimates and assumptions (continued)

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

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

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

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

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

Impairment of goodwill and intangible assets (with indefinite life)
The Group determines whether goodwill and indefinite life intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and intangible assets with indefinite lives at 31 December 2017 were KD 258,268 thousand and KD 4,721 thousand respectively, (2016: KD 245,989 thousand and KD 4,721 thousand, respectively). More details are given in Notes 8 and 9.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

4- GROUP INFORMATION

Principal subsidiaries of the Group are as follows:

Name of company	Ownership % as at 31 December 2017	2016	Country of incorporation
PWC Transport Company W.L.L.	100.00%	100.00%	State of Kuwait
Agility DGS Logistics Services K.S.C.C.	100.00%	100.00%	State of Kuwait
Gulf Catering Company for General Trading and Contracting W.L.L. *	100.00%	100.00%	State of Kuwait
The Metal and Recycling Company K.S.C.P. ("MRC")*	66.48%	66.48%	State of Kuwait
Global Clearing House Systems K.S.C.C.*	60.60%	60.60%	State of Kuwait
National Aviation Services Company W.L.L.*	95.00%	95.00%	State of Kuwait
United Projects Company For Aviation Services K.S.C. P* ("UPAC")	92.63%	92.63%	State of Kuwait
Agility GIL for Company's Business Management W.L.L.	100.00%	-	State of Kuwait
Agility GIL for Warehousing and Third Party Inventory Management S.P.C.	100.00%	-	State of Kuwait
NAS Ivoire S.A.*	100.00%	-	Ivory Coast
Tristar Transport L.L.C. ("Tristar")	65.12%	80.00%	United Arab Emirates
Agility Logistics L.L.C.	100.00%	100.00%	United Arab Emirates
Agility Abu Dhabi P.J.S.C. (Note 3)	49.00%	49.00%	United Arab Emirates
Agility Distriparks FZE	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.	100.00%	100.00%	Saudi Arabia
Agility Logistics Park	100.00%	-	Saudi Arabia
Agility Logistics Private Limited	100.00%	100.00%	India
Agility Logistics GmbH	100.00%	100.00%	Germany
Agility Logistics Limited	100.00%	100.00%	Hong Kong
Agility Logistics International B.V	100.00%	100.00%	Netherland
Agility International Logistics Pte Ltd.	100.00%	100.00%	Singapore
Agility Logistics Holdings Pte Ltd.	100.00%	100.00%	Singapore
Agility Logistics Limited	100.00%	100.00%	United Kingdom
Agility Do Brazil logistica Internacional S.A.	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 with the exception of the subsidiaries denoted by (*) whose principal activities are infrastructure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

4- GROUP INFORMATION (continued)

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

	2017 KD 000's	2016 KD 000's
Summarised statement of income:		
Revenues	**105,658**	102,224
Profit for the year	**12,153**	10,845
Allocated to non-controlling interests	**2,179**	1,239
Summarised statement of financial position:		
Total assets	**225,703**	184,252
Total liabilities	**(122,389)**	(114,607)
Total equity	**103,314**	69,645
Accumulated balances of non-controlling interests	**33,823**	13,776
Summarised cash flow information:		
Operating	**23,969**	15,600
Investing	**(17,991)**	(43,673)
Financing	**21,010**	21,365
Net increase in cash and cash equivalents	**26,988**	(6,708)

Increase in non-controlling interests:
During the year, the Group's effective equity interest in Tristar group diluted from 80.00% to 65.12%, as a result of increase in share capital of Tristar group.

Upon change in ownership of Tristar group without loss of control, the Group has recognised a gain of KD 7,260 thousand in "other reserve" in consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

5- PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and improvements	*Tools, machinery and equipment*	*Vehicles and ships*	*Furniture and office equipment*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
Cost:					
As at 1 January 2017	166,321	85,066	154,408	93,984	499,779
Additions	12,329	7,115	18,196	5,949	43,589
Transfer from projects in progress (Note 6)	5,150	-	-	-	5,150
Transfer from other non-current assets	7,538	-	-	-	7,538
Arising on acquisition of subsidiaries (Note 31)	304	4,252	264	640	5,460
Written off	(1,552)	-	-	(1,166)	(2,718)
Disposals	(740)	(342)	(3,018)	(774)	(4,874)
Exchange differences	(6,257)	(495)	(2,252)	1,373	(7,631)
As at 31 December 2017	**183,093**	**95,596**	**167,598**	**100,006**	**546,293**
Depreciation:					
As at 1 January 2017	(69,189)	(58,712)	(44,319)	(75,562)	(247,782)
Charge for the year	(7,218)	(5,813)	(9,430)	(7,383)	(29,844)
Written off	1,552	-	-	1,166	2,718
Disposals	263	132	2,910	773	4,078
Arising on acquisition of subsidiaries (Note 31)	(179)	(3,441)	(238)	(392)	(4,250)
Exchange differences	2,494	1,256	1,965	(93)	5,622
As at 31 December 2017	**(72,277)**	**(66,578)**	**(49,112)**	**(81,491)**	**(269,458)**
Net book value:					
As at 31 December 2017	**110,816**	**29,018**	**118,486**	**18,515**	**276,835**

	Land, buildings and improvements	*Tools, machinery and equipment*	*Vehicles and ships*	*Furniture and office equipment*	*Total*
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Cost:					
As at 1 January 2016	175,274	91,626	67,030	87,550	421,480
Additions	7,851	1,078	36,210	13,732	58,871
Transfer from projects in progress (Note 6)	-	-	23,974	-	23,974
Arising on acquisition of subsidiaries	-	-	27,762	-	27,762
Transfer to other current assets (Note 15)	(12,601)	(4,102)	-	-	(16,703)
Disposals	(390)	(1,829)	(145)	(5,771)	(8,135)
Exchange differences	(3,813)	(1,707)	(423)	(1,527)	(7,470)
As at 31 December 2016	166,321	85,066	154,408	93,984	499,779
Depreciation:					
As at 1 January 2016	(61,560)	(59,063)	(41,241)	(75,867)	(237,731)
Charge for the year	(12,983)	(5,166)	(3,214)	(6,729)	(28,092)
Transfer to other current assets (Note 15)	3,533	2,289	-	-	5,822
Disposals	328	1,793	65	5,685	7,871
Exchange differences	1,493	1,435	71	1,349	4,348
As at 31 December 2016	(69,189)	(58,712)	(44,319)	(75,562)	(247,782)
Net book value:					
As at 31 December 2016	97,132	26,354	110,089	18,422	251,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

6- PROJECTS IN PROGRESS

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

	2017	*2016*
	KD 000's	*KD 000's*
As at 1 January	**16,501**	34,267
Additions	**18,930**	6,435
Transfer to property, plant and equipment (Note 5)	**(5,150)**	(23,974)
Transfer to investment property (Note 7)	**(200)**	(8)
Exchange differences	**(16)**	(219)
As at 31 December	**30,065**	16,501

7- INVESTMENT PROPERTIES

	2017	*2016*
	KD 000's	*KD 000's*
As at 1 January	**268,686**	261,474
Additions	**2,192**	2,061
Transfer from projects in progress (Note 6)	**200**	8
Change in fair value	**12,767**	5,143
As at 31 December	**283,845**	268,686

The Group has classified certain commercial properties amounting to KD 281,398 thousands (2016: KD 266,080 thousands) held under long term operating leases as investment properties. All investment properties are located in Kuwait.

The fair values of investment properties as at 31 December 2017 and 31 December 2016 were determined by independent valuers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on market approach. In estimating the fair values of the properties, the highest and the best use of the properties is their current use. There has been no change to the valuation techniques during the year. The fair value of investment properties is measured under the Level 3 fair value hierarchy.

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

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

A 5% increase or decrease in the estimated market price (per sqm) will increase or reduce the value of the investment properties by KD 14,192 thousand (2016: KD 13,434 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

8- INTANGIBLE ASSETS

	BOT projects KD 000's	*Customer lists KD 000's*	*Brand KD 000's*	*Total KD 000's*
Cost:				
As at 1 January 2017	38,527	7,271	4,721	50,519
As at 31 December 2017	**38,527**	**7,271**	**4,721**	**50,519**
Accumulated amortisation:				
As at 1 January 2017	(14,879)	(5,662)	-	(20,541)
Charge for the year	(3,536)	(498)	-	(4,034)
As at 31 December 2017	**(18,415)**	**(6,160)**	**-**	**(24,575)**
Net book value:				
As at 31 December 2017	**20,112**	**1,111**	**4,721**	**25,944**

	BOT projects KD 000's	*Customer lists KD 000's*	*Brand KD 000's*	*Total KD 000's*
Cost:				
As at 1 January 2016	38,527	7,271	4,721	50,519
As at 31 December 2016	38,527	7,271	4,721	50,519
Accumulated amortisation:				
As at 1 January 2016	(11,360)	(5,164)	-	(16,524)
Charge for the year	(3,519)	(498)	-	(4,017)
As at 31 December 2016	(14,879)	(5,662)	-	(20,541)
Net book value:				
As at 31 December 2016	23,648	1,609	4,721	29,978

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

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

The brand is assumed to have an indefinite useful life and is tested for impairment at the reporting date. In the opinion of the management, no impairment is required (2016: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

9- GOODWILL

	2017 KD 000's	*2016 KD 000's*
Cost:		
As at 1 January	**273,207**	271,861
Additions (Note 31)	**10,185**	-
Exchange differences	**2,094**	1,346
As at 31 December	**285,486**	273,207
Impairment:		
As at 1 January and 31 December	**(27,218)**	(27,218)
Net carrying value	**258,268**	245,989

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

	Carrying amount of goodwill	
	2017	*2016*
Cash generating units:	**KD 000's**	*KD 000's*
Global Integrated Logistics	**225,728**	225,568
Infrastructure	**32,540**	20,421
Total	**258,268**	245,989

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 2017 and assuming an average annual growth rate of 5.3 % (2016: 5.6%) 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 % (2016: 10%) and cash flows beyond the 5 year period are extrapolated using a growth rate of 3 % (2016: 3%). As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

Key assumptions used in value in use calculations
The calculation of value in use is sensitive to the following assumptions:
- Revenue;
- Earning Before Interest, Tax, Depreciation and Amortisation ("EBITDA");
- Discount rates; and
- Growth rate used to extrapolate cash flows beyond the 5 year 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.

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10- INVESTMENT IN ASSOCIATES

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

	2017	2016
	KD 000's	KD 000's
At the beginning of the year	**51,167**	47,622
Addition	**-**	863
Share of results	**4,295**	4,446
Dividend received	**(1,698)**	(1,548)
Foreign currency translation adjustments	**591**	(216)
At the end of the year	**54,355**	51,167

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

	2017	2016
	KD '000s	KD 000's
Summarised GWC statement of financial position:		
Current assets	**75,019**	85,629
Non-current assets	**243,845**	228,870
Current liabilities	**(49,455)**	(43,488)
Non-current liabilities	**(131,514)**	(143,889)
Equity	**137,895**	127,122
Proportion of the Group's ownership	**21.59%**	21.59%
Group's share in the equity of GWC	**29,771**	27,690
Goodwill	**20,345**	20,345
Carrying value of GWC	**50,116**	48,035
Carrying value of other associates	**4,239**	3,132
	54,355	51,167
Summarised GWC statement of income:		
Revenue	**78,521**	71,411
Profit for the year of GWC	**17,508**	18,393

The fair value of the Group's interest as at 31 December 2017 in GWC, which is listed on the Qatar Stock Exchange is KD 46,196 thousand (2016: KD 54,241 thousand).

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11- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	KD 000's	KD 000's
Investment in an associate – outside Kuwait	**108,425**	109,881
Equity securities:		
- In Kuwait	**186**	36
	108,611	109,917

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

The investment in Korek Telecom has been classified as an investment in an associate as the Group exercises significant influence over financial and operating policies of Korek Telecom. As this associate is held as part of Venture Capital Organization's investment portfolio, it is carried in the consolidated statement of financial position at fair value. This treatment is permitted by IAS 28 "Investment in Associates and Joint Ventures" which allows investments held by Venture Capital Organisations to be accounted for at fair value through profit and loss in accordance with IAS 39, with changes in fair value recognised in the consolidated statement of income in the period of change.

As at 31 December 2017, interest bearing loan provided by the Group to Korek Telecom amounted to KD 35,098 thousand (2016: KD 35,569 thousand) (Note 27).

Korek Investment
In February 2017, the Group filed a request for arbitration against the Republic of Iraq pursuant to Article 36 of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID"), and Article 10 of the Agreement between the Government of the State of Kuwait and the Government of the Republic of Iraq for Reciprocal Promotion and Protection of Investments (the "2015 BIT"). The claim arises from a series of actions and inactions of the Iraqi government, including its regulatory agency Communications & Media Commission ("CMC") relating to an alleged decision by the CMC to annul the previous written consent granted in connection with the Group's investment in Korek Telecom. Without limitation, the Group's claims relate to Iraq's failure to treat the Parent Company's investment of over $380 million fairly and equitably, its failure to accord the Group with due process, as well as the indirect expropriation of that investment, each in breach of the 2015 BIT. On 24 February, 2017, the Group's request for arbitration was formally registered with ICSID. The arbitration tribunal was formally constituted on 20 December 2017. The tribunal is currently in the process of issuing a timetable for the further proceedings. As the dispute remains pending without legal resolution and in the absence of clarity, the financial impact of this case may not be assessed.

In conjunction with the foregoing claims related to Korek Telecom, Iraq Telecom Limited ("IT Ltd.") (in which the Parent Company holds an indirect 54% stake) commenced arbitration proceedings against Korek International (Management) Ltd. ("CS Ltd.") and Mr. Sirwan Saber Mustafa. The dispute is in relation to the monies owed by CS Ltd. and guaranteed by Mr. Sirwan Saber Mustafa under a subscription agreement relating to the Parent Company's investment in Korek Telecom. The amount in dispute is approximately USD 75 million (excluding interest). The Tribunal was constituted on February 2, 2018, with terms of reference and a procedural timetable to be issued by the Tribunal in due course.

Separately, on September 5, 2017, Modern Global Company for General Trading of Equipments, Supplier for Construction and Real Estate WLL (a wholly owned subsidiary of the Parent Company) commenced arbitration proceedings against Korek Telecom in relation to Korek's alleged failure to pay servicing fees due to Modern Global under a services agreement. The amount in dispute is approximately USD 3.4 million (excluding interest). The Tribunal is in the process of being constituted, and proceedings will commence in due course.

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11- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

As a counterclaim, CS Ltd. has threatened to bring a claim against IT Ltd. with respect to alleged breaches by IT Ltd. of funding provisions in a shareholders' agreement between the parties relating to Korek Telecom. The amount in dispute is approximately USD 120 million. However, no proceedings against IT Ltd. have been commenced to date.

Consequently the Group's management was unable to determine the fair value of this investment and the recoverability of interest bearing loan as at 31 December 2017 and 31 December 2016 and accordingly the investment is carried at its fair value as at 31 December 2013 of US Dollars 359 Million equivalent to KD 108,425 thousand (2016: KD 109,881 thousand).

12- FINANCIAL ASSETS AVAILABLE FOR SALE

	2017 KD 000's	2016 KD 000's
Unquoted equity securities:		
- In Kuwait	**8,851**	17,873
- Outside Kuwait	**13,818**	17,624
	22,669	35,497

Certain unquoted equity securities amounting to KD 18,362 thousands (2016: KD 30,047 thousands) are carried at cost, less impairment, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments.

The management performed a review of its unquoted equity securities to assess whether impairment has occurred in the value of these investments. Based on this assessment, an impairment of KD 6,300 thousand was recognized in the consolidated statement of income (2016: Nil).

13- INVENTORIES

	2017 KD 000's	2016 KD 000's
Goods for resale	**16,736**	14,629
Provision for obsolete and slow moving inventories	**(239)**	(239)
	16,497	14,390

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

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The provision recognised as an expense during the year amounted to Nil (2016: KD 694 thousand) which is recognised in the cost of revenues in the consolidated statement of income.

14- TRADE RECEIVABLES

	2017 KD 000's	2016 KD 000's
Gross trade receivables	**357,055**	297,362
Provision for impairment	**(53,078)**	(56,216)
	303,977	241,146

The carrying amount of the trade receivables approximates to their fair values. As at 31 December 2017, trade receivables amounting to KD 53,078 thousand (2016: KD 56,216 thousand) were considered impaired and fully provided for.

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

	2017 KD 000's	2016 KD 000's
As at 1 January	**56,216**	60,190
Charge for the year (Note 22)	**1,102**	2,137
Amounts written off	**(3,842)**	(6,218)
Others (including exchange differences)	**(398)**	107
As at 31 December	**53,078**	56,216

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

	Neither past	*Past due but not impaired*					*Total*
	due nor impaired	*< 30 days*	*30 to 60 days*	*60 to 90 days*	*90 to 120 days*	*> 120 days*	
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
2017	**202,603**	**48,968**	**17,904**	**8,801**	**9,308**	**16,393**	**303,977**
2016	170,038	34,273	10,689	7,072	5,326	13,748	241,146

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15- OTHER CURRENT ASSETS

	2017 KD 000's	*2016 KD 000's*
Prepaid expenses	**26,552**	24,061
Advances to suppliers	**12,833**	21,440
Assets held for sale (Note 5)	-	10,881
Claims in dispute [Note 26 (b)]	**10,092**	10,092
Deposits	**10,108**	8,852
Sundry receivables	**7,945**	3,361
Accrued income	**4,079**	3,417
Jobs in progress	**2,804**	1,851
Other claims receivable	**1,759**	1,594
Staff receivables	**1,169**	1,388
Other	**6,984**	6,788
	84,325	93,725

16- BANK BALANCES, CASH AND DEPOSITS

	2017 KD 000's	*2016 KD 000's*
Cash at banks and on hand	**104,946**	77,774
Short term deposits	**20,744**	9,466
Cash and cash equivalents	**125,690**	87,240
Deposits with original maturities exceeding three months	-	7,065
	125,690	94,305

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 Nil% per annum (2016: 2.03% to 2.5% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17- SHARE CAPITAL, RESERVES AND DIVIDEND

a) Share capital

	Number of shares		*Amount*	
	2017	*2016*	**2017 KD '000s**	*2016 KD '000s*
Authorized, issued and fully paid up shares of 100 fils each	**1,333,028,778**	1,211,844,344	**133,303**	121,185

b) Share premium
The share premium is not available for distribution.

c) Statutory reserve
In accordance with the Companies' Law, as amended, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital

d) Treasury Shares

	2017	*2016*
Number of treasury shares	**74,831,667**	61,638,142
Percentage of issued shares	**5.61%**	5.09%
Market value in KD 000's	**60,015**	38,216

e) Dividend
On 24 May 2017, the shareholders at the Annual General Assembly and the Extraordinary General Meeting of the Parent Company, approved the consolidated financial statements for the year ended 31 December 2016 and approved a cash dividend of 15 fils per share (2015: 30 fils per share) and bonus shares of 10% (2015: Nil).

On 20 February 2018, the Board of Directors of the Parent Company recommended distribution of cash dividend of 15 fils per share (2016: 15 fils per share) and bonus shares of 15% (2016: 10%) for the year ended 31 December 2017. This proposal is subject to the approval by the shareholders' at the Annual General Assembly of the Parent Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

17- SHARE CAPITAL, RESERVES AND DIVIDEND (continued)

f) Other comprehensive income

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

	Foreign currency translation reserve	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Non-controlling interests*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
2017:						
Financial assets available for sale:						
- Net changes in fair value of financial assets available for sale	**-**	**-**	**444**	**-**	**-**	**444**
Gain on hedge of net investments (Note 19)	**-**	**40**	**-**	**-**	**-**	**40**
Gain on cash flow hedge	**-**	**219**	**-**	**-**	**-**	**219**
Foreign currency translation adjustments	**(5,857)**	**-**	**-**	**-**	**2,314**	**(3,543)**
Re-measurement gains on defined benefit plans (Note 18)	**-**	**-**	**-**	**3,748**	**-**	**3,748**
	(5,857)	**259**	**444**	**3,748**	**2,314**	**908**

	Foreign currency translation reserve	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Non-controlling interests*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
2016:						
Financial assets available for sale:						
- Net changes in fair value of financial assets available for sale	-	-	542	-	-	542
Gain on hedge of net investments (Note 19)	-	104	-	-	-	104
Gain on cash flow hedge	-	320	-	-	-	320
Foreign currency translation adjustments	(7,785)	-	-	-	(2,532)	(10,317)
Re-measurement losses on defined benefit plans (Note 18)	-	-	-	(4,218)	-	(4,218)
	(7,785)	424	542	(4,218)	(2,532)	(13,569)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

18- PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2017	*2016*
	KD 000's	*KD 000's*
Defined benefit plans	**23,435**	28,137
Other benefit plans	**21,996**	18,164
As at 31 December	**45,431**	46,301

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

	2017	*2016*
	KD 000's	*KD 000's*
As at 1 January	**46,301**	41,294
Provided during the year	**9,257**	9,802
Paid during the year	**(8,402)**	(7,818)
Actuarial (loss) gain in respect of defined benefit plans	**(3,748)**	4,218
Others (including exchange differences)	**2,023**	(1,195)
As at 31 December	**45,431**	46,301

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

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

2017	Pension cost charged to statement of income					Re-measurement gain (losses)recognised in other comprehensive income							
	1 January 2017	Service cost	Net interest	Past service (cost)/benefit	Sub-total	Benefits paid	Return on plan assets*	Actuarial changes on demographic assumptions	Actuarial changes on financial assumptions	Experience adjustments	Sub-total	Contributions by employer	Others (including exchange differences)	31 December 2017
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Defined benefit obligation	(114,440)	(1,054)	(1,445)	2,221	(278)	6,506	-	697	286	(385)	598	-	(8,011)	(115,625)
Fair value of plan assets	86,303	-	1,145	-	1,145	(5,981)	3,150	-	-	-	3,150	1,978	5,595	92,190
Net benefit obligation	(28,137)	(1,054)	(300)	2,221	867	525	3,150	697	286	(385)	3,748	1,978	(2,416)	(23,435)

2016	*Pension cost charged to statement of income*				*Re-measurement gain (losses)recognised in other comprehensive income*								
	1 January 2016	*Service cost*	*Net interest*	*Sub-total*	*Benefits paid*	*Return on plan assets**	*Actuarial changes on demographic assumptions*	*AActuarial changes on financial assumptions*	*Experience adjustments*	*Sub-total*	*Contributions by employer*	*Others (including exchange differences)*	*31 December 2016*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
Defined benefit obligation	(116,798)	(1,305)	(1,952)	(3,257)	5,260	-	313	(10,453)	1,393	(8,747)	-	9,102	(114,440)
Fair value of plan assets	90,926	-	1,522	1,522	(4,789)	4,530	-	-	-	4,529	2,007	(7,892)	86,303
Net benefit obligation	(25,872)	(1,305)	(430)	(1,735)	471	4,530	313	(10,453)	1,393	(4,218)	2,007	1,210	(28,137)

*excluding amount included in net interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

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

The actual return on plan assets for the year ended 31 December 2017 was KD 4,295 thousand (2016: KD 6,052 thousand).

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

	2017	*2016*
	KD 000's	*KD 000's*
Quoted investments		
- Equity	36,218	36,146
- Bonds	28,188	25,355
Unquoted investments		
- Real Estate	15,693	14,648
- Insurance Policies	5,054	3,709
- Others	7,037	6,445
	92,190	86,303

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:

	2017	*2016*
Discount rate at 31 December	2.15%	2.08%
Expected rate of increase of employee remuneration	2.87%	2.00%
Future pension increase	1.43%	2.12%
Life expectation for pensioners at the age of 65 (years)	24	21

A quantitative sensitivity analysis for significant assumption as at 31 December 2017 and 31 December 2016 is as shown below. The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

	Impact on the net defined benefit obligations	
	2017	*2016*
	KD 000's	*KD 000's*
Discount rate		
- 1% increase	(12,953)	(15,194)
- 1% decrease	16,185	18,595
Expected rate of increase of employee remuneration		
- 1% increase	388	494
- 1% decrease	(384)	(488)
Future pension cost increase		
- 1% increase	11,382	12,705
- 1% decrease	(5,533)	(5,594)
Life expectancy		
- increase by 1 year	4,531	4,578
- decrease by 1 year	(4,538)	(4,606)

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

The expected employer contributions to be made in the future years for the defined benefit plan obligations are as follows:

	2017	*2016*
	KD 000's	*KD 000's*
Within the next 12 months	**2,609**	2,399
Between 2 and 5 years	**10,078**	9,257
Between 5 and 10 years	**9,760**	10,137
Beyond 10 years	**14,737**	14,441
	37,184	36,234

The average duration of the defined benefit plan obligation at the end of the reporting period is 14 years (2016: 15 years).

19- INTEREST BEARING LOANS

	2017	*2016*
	KD 000's	*KD 000's*
Committed Term Loan obtained from local bank and its repayable in annual instalments commencing from December 2011	**16,309**	16,528
Committed Term Loan obtained from local bank and is repayable in annual instalments commencing from April 2013	**11,500**	15,500
Committed Term Loan obtained from a foreign bank and is repayable in monthly instalments commencing from May 2016.	**51,194**	54,160
Committed Term Loan obtained from a foreign bank and is repayable in monthly instalments commencing from March 2016.	**25,878**	19,441
Committed Multicurrency Revolving Loan Facility obtained from a Group of banks - Maturing in April 2020	**73,996**	3,061
Other loans	**40,058**	30,713
	218,935	139,403

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 134,620 thousand (2016: KD 50,702 thousand) carry margin ranging from 0.2% to 4.8% per annum (2016: 0.8% to 4.8% per annum) over the benchmark rates.

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19- INTEREST BEARING LOANS (continued)

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

	Current portion	*Non-current Portion*	**Total**
	KD 000's	*KD 000's*	**KD 000's**
US Dollars	103,660	71,180	**174,840**
Kuwaiti Dinars	11,680	7,500	**19,180**
Hong Kong Dollar	6,791	-	**6,791**
AED	2,783	1,217	**4,000**
SGD	-	3,949	**3,949**
Others	7,927	2,248	**10,175**
At 31 December 2017	**132,841**	**86,094**	**218,935**
At 31 December 2016	52,492	86,911	**139,403**

Included in interest bearing loans are loans amounting to KD 104,597 thousand (2016: KD 88,923 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 11,500 thousand (2016: KD 15,500 thousand) which is secured by a pledge of shares of a subsidiary.

Hedge of net investments in foreign operations
Included in interest bearing loans at 31 December 2017 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 gain arising on translation of the hedging instrument amounting to KD 40 thousand (2016: KD 104 thousand) was taken to other comprehensive income (hedging reserve).

20- OTHER NON-CURRENT LIABILITIES

	2017	*2016*
	KD 000's	*KD 000's*
Non – current portion of lease obligations	**2,398**	3,118
Amounts due to related parties (Note 27)	**10,616**	3,633
Other liabilities	**7,517**	5,018
	20,531	11,769

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21- TRADE AND OTHER PAYABLES

	2017 KD 000's	2016 KD 000's
Trade payables	202,141	199,124
Accrued expenses	92,760	87,590
Accrued employee related expenses	47,513	41,822
NLST payable	15,278	15,390
Taxation on overseas subsidiaries	4,332	4,216
Zakat payable	5,441	5,459
KFAS payable	1,359	1,714
Short term portion of lease obligations	1,103	641
Amounts due to related parties (Note 27)	603	361
Directors' remuneration	140	140
Other liabilities	41,420	32,364
	412,090	388,821

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

22- GENERAL AND ADMINISTRATIVE EXPENSES

	2017 KD 000's	2016 KD 000's
Salaries	186,109	179,822
Employee benefits	28,177	23,104
Rent	28,909	26,943
Professional fees	30,917	31,647
Repairs and maintenance	19,392	19,185
Facilities management	11,209	9,723
Communication	5,856	6,048
Travel	7,333	6,987
Insurance	3,820	4,128
Office supplies	2,744	2,385
Provision for impairment of trade receivables (Note 14)	1,102	2,137
Bank charges	1,477	1,434
Advertising	1,628	1,392
Other expenses	21,841	14,934
	350,514	329,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23- TAXATION

	2017 KD 000's	2016 KD 000's
NLST	1,793	1,546
Contribution to KFAS	717	618
Zakat	717	618
Taxation on overseas subsidiaries	7,425	6,671
	10,652	9,453

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

24- BASIC AND DILUTED EARNINGS PER SHARE

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

	2017 KD 000's	2016 KD 000's (Restated)*
Profit for the year attributable to equity holders of the Parent Company	68,510	59,053
	Shares	Shares
Weighted average number of paid up shares	1,333,028,778	1,333,028,778
Weighted average number of treasury shares	(73,797,505)	(67,807,781)
Weighted average number of outstanding shares	1,259,231,273	1,265,220,997
Basic and diluted earnings per share - attributable to equity holders of the Parent Company	54.41 fils	46.67 fils

* Basic and diluted earnings per share for the comparative period presented have been restated to reflect the issue adjustment of bonus shares following the bonus issue (Note 17).

As there are no dilutive instruments outstanding, basic and diluted earning per share are identical.

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25- DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

				Notional amounts by term to maturity	
	Positive fair value	*Negative fair value*	*Notional amount*	*Within one year*	*1 – 5 years*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
2017					
Derivatives held for trading:					
Forward foreign exchange contracts	**153**	**-**	**2,832**	**2,832**	**-**
Derivatives held as cash flow hedge:					
Interest rate swap	**219**	**-**	**15,783**	**-**	**15,783**
	372	**-**	**18,615**	**2,832**	**15,783**

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26- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2017	*2016*
	KD 000's	*KD 000's*
Letters of guarantee	**123,149**	123,638
Operating lease commitments	**29,648**	35,230
Capital commitments (note below)*	**115,806**	22,534
	268,603	181,402

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

	2017	*2016*
	KD 000's	*KD 000's*
Within one year	**5,789**	9,062
After one year but not more than five years	**21,906**	22,492
More than five years	**1,953**	3,676
	29,648	35,230

Included in letters of guarantee are bank guarantees of KD 31,405 thousand (2016: 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.

*The Group (Parent Company along with its subsidiary UPAC) and a related party are part of an arrangement to construct and develop a commercial mall in UAE ("project). The Group currently has an equity interest of 13.35% (2016: 13.35%) and has also extended interest bearing loan facilities to the project (Note 27). Commitments undertaken by the Group towards further investments in the project amount to KD 97,330 thousand as on 31 December 2017. In addition to the above, the Parent Company has also provided corporate guarantees for the project amounting to KD 63,700 thousand and an undertaking for the completion of the mall within an agreed timeframe.

Legal claims

(a) Freight forwarding business - investigation
In August 2010, the Brazilian competition authority ("CADE") opened an investigation into the activities of the freight forwarding industry which included the Parent Company. The Brazilian competition authority purported to serve a notice on the Parent Company through its Brazilian subsidiary. The Parent Company rejected the validity of service of the notice. However, CADE stated in public announcement that it considers the notice to the Parent Company duly served. The Parent Company filed proceedings before the Brazilian court on 18 February 2014 requesting that the service of process be declared null. The Court issued a ruling rejecting this request and the Parent Company appealed against this ruling on 2 June 2015. In April 2017, the Parent Company concluded a settlement agreement with CADE, pursuant to which the Parent Company agreed to pay a fine of BRL 2,250,432 (approximately KD 213,554) in return for CADE closing its investigation. The Parent Company withdrew its proceedings in the Brazilian court contesting the validity of service of process. The terms of the settlement agreement were formally approved by CADE on 19 April 2017, and the Parent Company recorded this amount in the consolidated statement of income.

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

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26- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

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

The Company appealed the judgment before the Court of Appeal requesting an increase in compensation. GAC also filed an appeal No. 1955 / 2014 administrative 4 before the Court of Appeal. On 13 September 2015, the Court of Appeal pronounced its judgement affirming the decision of the Court of First Instance. Both the Company and GAC appealed against this ruling before the Kuwait Court of Cassation in appeals No. 148, 1487 for the year 2015. On 15 March 2017, the Court of Cassation resolved to defer the appeal to the experts and a hearing is scheduled for 19 March 2018 for the experts to prepare their report.

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

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

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

On August 21, 2015, the Parent Company filed a motion for summary judgment. On December 8, 2015, the court denied the Parent Company's motion as well as KGL's motion to compel discovery that they argued was central to their claims.

On November 28, 2017, the court entered an order setting discovery deadlines and a trial date. Pursuant to that order, written discovery must be completed by February 2, 2018, and deposition discovery must be completed by April 30, 2018. Trial is anticipated to commence on August 13, 2018.

(d) Miller False Claims Act Litigation
In a matter captioned United States of America ex rel. John Miller vs. The Public Warehousing Company, K.S.C. a/k/a Agility and PWC was filed under seal in the United States District Court for the Central District of California by Relator John Miller pursuant to the qui tam provisions in the False Claims Act ("FCA"), 31 U.S.C. §§ 3729 et. seq., on May 3, 2010. In his complaint, Relator alleged that the Parent Company violated the FCA by overstating indirect costs, thus overcharging the U.S. Government under three contracts. Relator attempted to serve the complaint on the Parent Company through its U.S. subsidiaries with offices in California. The Parent Company maintained that such service attempts were not effective. The District Court found that service had been effected, and the Parent Company appealed that order. The Court of Appeals found that further factual development was necessary before it could be determined whether or not service was effective. Relator, however, declined to pursue discovery and instead attempted service through the Hague Convention process. The Relator filed a motion, claiming that his efforts at service had been unsuccessful, and asking for the U.S. Court to grant alternative service. The Court granted Relator's motion and Relator served the Parent Company through the alternative means specified.

On September 27, 2017, the Relator filed a motion to voluntarily dismiss the claims without prejudice. The motion was accepted by the United States District Court.

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

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27- RELATED PARTY TRANSACTIONS

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

Transactions and balances with related parties are as follows:

	Major shareholders KD 000's	*Other related parties KD 000's*	*Total KD 000's*
2017			
Consolidated statement of income			
Revenues	**-**	**908**	**908**
General and administrative expenses	**(67)**	**(380)**	**(447)**
Interest income	**2,615**	**-**	**2,615**
Finance costs	**-**	**(154)**	**(154)**
Consolidated statement of financial position:			
Other non - current assets	**8,449**	**-**	**8,449**
Amounts due from related parties	**356**	**1,752**	**2,108**
Loan to a related party	**61,525**	**-**	**61,525**
Loan to an associate (Note 11)	**-**	**35,098**	**35,098**
Amounts due to related parties (Notes 20 and 21)	**22**	**11,197**	**11,219**

	Major shareholders KD 000's	*Other related parties KD 000's*	*Total KD 000's*
2016			
Consolidated statement of income			
Revenues	-	908	908
Interest income	1,331	-	1,331
General and administrative expenses	(69)	(378)	(447)
Miscellaneous income	-	544	544
Finance costs	-	(284)	(284)
Consolidated statement of financial position:			
Financial assets available for sale	8,449	-	8,449
Amounts due from related parties	103	1,067	1,170
Loan to a related party	20,339	-	20,339
Loan to an associate (Note 11)	-	35,569	35,569
Amounts due to related parties (Notes 20 and 21)	361	3,633	3,994

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

Included in the Loan to a related party is an amount of KD 30,022 thousand representing amounts advanced by a subsidiary of the Group towards the construction and development of a Commercial Mall in UAE ("Project"). This amount carries interest which is variable and can be converted to equity in the Project on completion of construction subject to the Project achieving certain operational targets.

A portion of amounts due to related parties carries an interest of 6.5% per annum (2016: 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:

	2017 KD 000's	*2016 KD 000's*
Short-term benefits	**3,843**	3,561

Short term benefits include discretionary bonus amounting to KD 2,246 thousand (2016: KD 1,950 thousand) awarded to key management personnel.

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28- OPERATING SEGMENT INFORMATION

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

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

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

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

Year ended 31 December 2017	*Logistics and related services*	*Infrastructure*	*Adjustments and eliminations*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
Revenues				
External customers	1,060,598	346,435	-	1,407,033
Inter-segment	967	11,784	(12,751)	-
Total revenues	1,061,565	358,219	(12,751)	1,407,033
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	33,751	120,884	(19,412)	135,223
Depreciation				(29,844)
Amortisation				(4,034)
Profit before interest, taxation and Directors' remuneration (EBIT)				101,345
Interest income				3,302
Finance costs				(11,577)
Profit before taxation and Directors' remuneration				93,070
Taxation and Directors' remuneration				(10,792)
Profit for the year				82,278
Total assets	742,337	1,060,781	(74,178)	1,728,940
Total liabilities	938,218	830,388	(1,063,258)	705,348
Other disclosures:				
Goodwill (Note 9)	225,728	32,540	-	258,268
Intangible assets (Note 8)	5,899	20,045	-	25,944
Capital expenditure	(18,122)	(46,223)	(366)	(64,711)
Change in fair value of investment properties	-	12,767	-	12,767

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28- OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016	*Logistics and related services*	*Infrastructure*	*Adjustments and eliminations*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
Revenues				
External customers	927,497	306,550	-	1,234,047
Inter-segment	878	11,326	(12,204)	-
Total revenues	928,375	317,876	(12,204)	1,234,047
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	32,016	94,284	(11,124)	115,176
Depreciation				(28,092)
Amortisation				(4,017)
Profit before interest, taxation and Directors' remuneration (EBIT)				83,067
Interest income				2,066
Finance costs				(7,922)
Profit before taxation and Directors'remuneration				77,211
Taxation and Directors' remuneration				(9,593)
Profit for the year				67,618
Total assets	693,717	959,116	(108,796)	1,544,037
Total liabilities	605,945	767,144	(778,294)	594,795
Other disclosures:				
Goodwill (Note 9)	225,568	20,421	-	245,989
Intangible assets (Note 8)	6,330	23,648	-	29,978
Capital expenditure	(9,193)	(55,872)	(2,302)	(67,367)
Change in fair value of investment properties	-	5,143	-	5,143

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

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

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28- OPERATING SEGMENT INFORMATION (continued)

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

Revenue from external customers	2017 KD 000's	2016 KD 000's
Middle East	**384,455**	322,321
Europe	**351,066**	302,612
Asia	**339,834**	308,149
America	**236,081**	200,982
Africa	**95,597**	99,983
	1,407,033	1,234,047

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

Non-current assets	2017 KD 000's	2016 KD 000's
Middle-east	**667,452**	588,391
Asia	**175,854**	161,418
Europe	**44,761**	43,857
America	**27,757**	28,006
Africa	**35,310**	28,164
Unallocated	**61,682**	54,054
	1,012,816	903,890

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

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's senior management reviews and agrees policies for managing risks and provides assurance to the 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.

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29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 and loan to a related party.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit qualities of the customers are assessed on an ongoing basis. 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 2017 and 2016 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:

	2017 KD 000's	2016 KD 000's
Bank balances	**125,690**	94,305
Trade receivables	**303,977**	241,146
Loan to an associate*	**35,098**	35,569
Loan to a related party	**61,525**	20,339
Other assets	**53,198**	60,856
	579,488	452,215

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

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29- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

Financial liabilities	*Less than 1 month KD 000's*	*1 to 3 months KD 000's*	*3 to 12 months KD 000's*	*1 to 5 years KD 000's*	*Total KD 000's*
2017					
Interest bearing loans	17,810	9,302	22,797	201,443	251,352
Trade and other payables	34,340	68,680	309,070	-	412,090
Dividends payable	-	8,361	-	-	8,361
Other non-current liabilities	-	-	-	20,531	20,531
Total financial liabilities	**52,150**	**86,343**	**331,867**	**221,974**	**692,334**

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*
2016					
Interest bearing loans	97	3,411	46,850	111,937	162,295
Trade and other payables	32,402	64,804	291,615	-	388,821
Dividends payable	-	8,501	-	-	8,501
Other non-current liabilities	-	-	-	11,769	11,769
Total financial liabilities	32,499	76,716	338,465	123,706	571,386

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 and related party, 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 2017 and 2016.

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

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

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

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29- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)
Interest rate risk (continued)

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

	50 basis points movement	
	Effect on consolidated statement of income	
	2017	*2016*
	KD 000's	*KD 000's*
	±895	± 552

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 and financing activities (when revenues, expenses and borrowings 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 where appropriate and ensures that the net exposure is kept to an acceptable level. The Group has also designated certain interest bearing loans as hedging instruments against its net investment in foreign operations (Note 19).

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

	Change in currency rate by 1 %			
	Effect on other comprehensive income		*Effect on consolidated statement of income*	
	2017 KD 000's	*2016 KD 000's*	**2017 KD 000's**	*2016 KD 000's*
US Dollars	**±163**	± 165	**±765**	±31

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

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

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

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30- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 12) are not materially different from their carrying values.

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

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

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

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total fair value KD'000
2017				
Financial assets at fair value through profit or loss:				
Investment in an associate	-	-	108,425	108,425
Unquoted equity securities	-	-	186	186
			108,611	108,611
Financial assets available for sale:				
Unquoted equity securities			4,307	4,307
Derivative:				
Forward foreign exchange contracts	-	153	-	153
Interest rate swaps	-	219	-	219
	-	372	112,918	113,290

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total fair value KD'000
2016				
Financial assets at fair value through profit or loss:				
Investment in an associate	-	-	109,881	109,881
Quoted equity securities	36	-	-	36
	36	-	109,881	109,917
Financial assets available for sale:				
Unquoted equity securities	-	-	5,450	5,450
Derivative:				
Forward foreign exchange contracts	-	(60)	-	(60)
Interest rate swaps	-	319	-	319
	36	259	115,331	115,626

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

There were no transfers between the hierarchies during 2017 and 2016.

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30- FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	At 1 January 2017 KD'000	Gain / (loss) recorded in the consolidated statement of income KD'000	(Loss) / gain recorded in consolidated statement of comprehensive income KD'000	Others including net purchases (sales) and transfer KD'000	At 31 December 2017 KD'000
Assets measured at fair value					
Financial assets at fair value through profit or loss:					
Investment in an associate	109,845	-	(1,420)	-	108,425
Unquoted equity securities	-	-	-	186	186
Financial assets available for sale:					
Unquoted equity securities	5,450	-	444	(1,587)	4,307
	115,331	-	(976)	(1,437)	112,918

	At 1 January 2016 KD'000	Gain / (loss) recorded in the consolidated statement of income KD'000	Gain recorded in consolidated statement of comprehensive income KD'000	Others including net purchases (sales) KD'000	At 31 December 2016 KD'000
Assets measured at fair value					
Financial assets at fair value through profit or loss:					
Investment in an associate	108,921	-	960	-	109,881
Financial assets available for sale:					
Unquoted equity securities	13,170	-	542	(8,262)	5,450
	122,091	-	1,502	(8,262)	115,331

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

Financial assets at fair value through profit or loss:
The Group's management was unable to determine the fair value of the investment in an associate as at 31 December 2017 due to certain inherent uncertainties and accordingly the investment is carried at its fair value as at 31 December 2013 (Note 11).

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

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As at 31 December 2017

31- ACQUISITION OF SUBSIDIARIES

During the year, the Group made following two acquisitions:

- On 15 October 2017, a subsidiary of the Parent Company (100% owned by the Parent Company) acquired 80.80% equity interest in Entebbe Handling Services Limited ("Entebbe"), a company incorporated in Republic of Uganda, for a consideration of KD 8,419 thousand (including deferred consideration of KD 2,820 thousand).
- On 20 July 2017, a subsidiary of the Parent Company (100% owned by the Parent Company) acquired 80% equity interest in Mara Xpress LLC ("Mara"), a company incorporated in U.A.E, for a consideration of KD 870 thousand (including deferred consideration of KD 679 thousand).

Following the acquisition, Entebbe and Mara became subsidiaries of the Group and have been consolidated from their respective dates of exercise of control.

The consideration paid and the provisional value of assets acquired and liabilities assumed, as well as the non-controlling interest, are summarized as follows:

	Entebbe	*Mara*	*Total*
Assets	*KD 000's*	*KD 000's*	*KD 000's*
Property, plant and equipment	1,144	66	1,210
Other non-current assets	24	-	24
Trade and other receivables	1,278	247	1,525
Other current assets	770	-	770
Cash and cash equivalents	172	77	249
	3,388	390	3,778
Liabilities			
Term loans	1,484	-	1,484
Other liabilities	957	32	989
Trade and other payables	463	1,970	2,433
	2,904	2,002	4,906
Net assets (liabilities) acquired	484	(1,612)	(1,128)
Purchase consideration	8,419	870	9,289
Non-controlling interest	90	(322)	(232)
Less: net identifiable (assets) liabilities acquired	(484)	1,612	1,128
Goodwill	8,025	2,160	10,185
Net asset attributable to shareholders of the Parent Company	394	(1,290)	(896)
Net assets attributable to non-controlling interest	90	(322)	(232)
	484	(1,612)	(1,128)
Net cash flow on acquisition			
Consideration paid	5,599	191	5,790
Cash and cash equivalents in subsidiary acquired	(172)	(77)	(249)
Cash outflow on acquisition	5,427	114	5,541

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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 2017 and 31 December 2016.

The Group includes within net debt, interest bearing loans less bank balances, cash and deposits. Capital includes equity attributable to the equity holders of the Parent Company and non- controlling interests.

	2017	*2016*
	KD 000's	*KD 000's*
Interest bearing loans	**218,935**	139,403
Bank balances, cash and deposits	**(125,690)**	(94,305)
Net Debt	**93,245**	45,098
Equity attributable to the equity holders of the Parent Company	**974,215**	920,582
Non-Controlling interests	**49,377**	28,660
Capital	**1,023,592**	949,242
Gearing	**9.1%**	4.75%


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