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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Building a better working world

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

Report on the Audit of Consolidated Financial Statements

Qualified Opinion
We have audited the consolidated financial statements of Agility Public Warehousing Company K.S.C.P (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 110,078 thousand (2019: KD 109,183 thousand) and KD 35,464 thousand (2019: KD 35,259 thousand) respectively in the consolidated statement of financial position as at 31 December 2020. 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 arbitrations. 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 *Auditor's 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (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 opinion.

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

Report on the Audit of Consolidated Financial Statements (continued)

Emphasis of Matter
We draw attention to:

(i) Note 26 (a) to the consolidated financial statements, which describes the contingencies relating to cost reimbursable contracts with U.S. Coalition Provisional Authority ("CPA"); and

(ii) Note 26 (b) to the consolidated financial statements, which describes the contingencies and claims relating to the litigations with the General Administration of Customs for Kuwait.

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

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, 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, which have been impacted by the COVID-19 pandemic. Therefore, we identified the impairment testing of goodwill as key audit matter.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Impairment of goodwill (continued)

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 including consideration of the potential impacts of the Covid – 19 pandemic.

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) Fair value measurement of investments properties

The fair values of the Group's investment properties have been determined by external real estate appraisers. The determination of fair value of the investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data, which have been impacted by the ongoing pandemic. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. The methodology applied in determining the valuations is set out in Note 7 to the consolidated financial statements.

For certain overseas investment properties, the valuer has included a valuation uncertainty clause in its valuation report. This clause highlights that less certainty, and consequently a higher degree of caution, should be associated to the valuation as a result of the COVID-19 pandemic. This represents a significant estimate uncertainty in relation to the valuation of investment properties.

Given the size and complexity of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations and the impact of the on-going COVID-19 pandemic on the economy, we have considered this as a key audit matter.

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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 Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Fair value measurement of investments properties (continued)

We have considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties. We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations. We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis, particularly in light of COVID-19. Further, we have considered the objectivity, independence and expertise of the external real estate appraisers.

We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 7 and Note 32 to the consolidated financial statements highlighting the increased estimation uncertainty as a result of COVID-19.

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 consolidated 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 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 11 and Note 26 to the consolidated financial statements.

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

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2020 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2020 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 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 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 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 2020. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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.

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

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's 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 auditor's 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 scepticism 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.

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, actions taken to eliminate threats or safeguards applied.

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 auditor's 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.

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

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 Qualification* 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, 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 have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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LICENCE NO. 33- A
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14 March 2021
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	*31 December 2020 KD 000's*	*31 December 2019 KD 000's*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**249,668**	215,458
Projects in progress	5	**40,766**	56,313
Right-of-use assets	6	**185,455**	182,947
Investment properties	7	**393,744**	371,190
Intangible assets	8	**19,942**	25,052
Goodwill	9	**256,431**	254,007
Investment in associates and joint ventures	10	**103,419**	101,352
Financial assets at fair value through profit or loss	11	**147,408**	112,148
Financial assets at fair value through other comprehensive income	12	**13,746**	15,856
Other non-current assets		**25,682**	22,610
Loans to related parties	27	**138,954**	98,732
Loan to an associate	27	**35,464**	35,259
Total non-current assets		**1,610,679**	1,490,924
Current assets			
Inventories	13	**23,390**	28,674
Trade receivables	14	**365,556**	331,616
Other current assets	15	**102,448**	99,988
Bank balances, cash and deposits	16	**170,041**	130,932
Total current assets		**661,435**	591,210
TOTAL ASSETS		**2,272,114**	2,082,134
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**202,737**	176,294
Share premium	17	**152,650**	152,650
Statutory reserve	17	**89,731**	85,368
Treasury shares	17	**(49,239)**	(49,239)
Treasury shares reserve		**44,366**	44,366
Foreign currency translation reserve	17	**(37,727)**	(39,548)
Hedging reserve	17	**(23,171)**	(19,842)
Investment revaluation reserve	17	**(2,490)**	60
Other reserves	17	**5,288**	(706)
Retained earnings		**760,861**	750,977
Equity attributable to equity holders of the Parent Company		**1,143,006**	1,100,380
Non-controlling interests	3	**48,175**	49,190
Total equity		**1,191,181**	1,149,570
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	18	**44,155**	50,351
Interest bearing loans	19	**330,936**	247,708
Lease liabilities		**145,809**	131,319
Other non-current liabilities	20	**12,054**	12,708
Total non-current liabilities		**532,954**	442,086
Current liabilities			
Interest bearing loans	19	**24,446**	23,148
Lease liabilities		**38,660**	36,974
Trade and other payables	21	**476,567**	422,213
Dividends payable		**8,306**	8,143
Total current liabilities		**547,979**	490,478
Total liabilities		**1,080,933**	932,564
TOTAL EQUITY AND LIABILITIES		**2,272,114**	2,082,134

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 2020

	Notes	***2020*** ***KD 000's***	*2019* *KD 000's*
Revenues			
Logistics and freight forwarding revenues		**1,368,863**	1,253,995
Rental revenues		**67,710**	70,606
Other services		**184,128**	253,962
Total revenues		**1,620,701**	1,578,563
Cost of revenues		**(1,126,818)**	(1,047,164)
Net revenues		**493,883**	531,399
General and administrative expenses	22	**(322,708)**	(349,070)
Restructuring expenses		**(12,464)**	(578)
Change in fair value of investment properties	7	**(13,403)**	3,642
Share of results of associates and joint ventures	10	**675**	3,018
Revaluation gain (loss) on financial assets at fair value through profit or loss		**9,636**	(260)
Miscellaneous income		**6,735**	4,979
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		**162,354**	193,130
Depreciation	4,6	**(71,260)**	(60,502)
Amortisation	8	**(5,653)**	(6,084)
Profit before interest, taxation and Directors' remuneration (EBIT)		**85,441**	126,544
Interest income		**2,086**	8,492
Finance costs		**(23,531)**	(21,494)
Profit before taxation and Directors' remuneration		**63,996**	113,542
Taxation	23	**(11,961)**	(13,383)
Directors' remuneration		**(140)**	(140)
PROFIT FOR THE YEAR		**51,895**	100,019
Attributable to:			
Equity holders of the Parent Company		**41,577**	86,759
Non-controlling interests		**10,318**	13,260
		51,895	100,019
BASIC AND DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (fils)	24	**21.73**	45.34

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 ***KD 000's***	*2019* *KD 000's*
Profit for the year	**51,895**	100,019
Other comprehensive income (loss):		
Items that are or may be reclassified to consolidated statement of income in subsequent periods:		
(Loss) gain on hedge of net investments (Note 19)	**(643)**	258
Loss on cash flow hedges	**(1,850)**	(438)
Share of other comprehensive loss of associates and joint venture (Note 10)	**(836)**	(765)
Foreign currency translation adjustments	**2,009**	(3,770)
Net other comprehensive loss that are or may be reclassified to consolidated statement of income in subsequent periods	**(1,320)**	(4,715)
Items that will not be reclassified to consolidated statement of income		
Revaluation surplus from transfer of land	**261**	26,972
Re-measurement gain (loss) on defined benefit plans (Note 18)	**5,152**	(1,368)
Changes in fair value of equity instruments at fair value through other comprehensive income	**4,883**	(291)
Net other comprehensive income that will not be reclassified to consolidated statement of income	**10,296**	25,313
Other comprehensive income	**8,976**	20,598
Total comprehensive income for the year	**60,871**	120,617
Attributable to:		
Equity holders of the Parent Company	**50,365**	110,007
Non-controlling interests	**10,506**	10,610
	60,871	120,617

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	***2020 KD 000's***	*2019 KD 000's*
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration		**63,996**	113,542
Adjustments for:			
Expected credit losses of trade receivables	14	**5,777**	7,014
Provision for employees' end of service benefits	18	**9,131**	11,628
Foreign currency exchange gain		**(109)**	(872)
Change in fair value of investment properties	7	**13,403**	(3,642)
Share of results of associates and joint ventures	10	**(675)**	(3,018)
Revaluation (gain) loss on financial assets at fair value through profit or loss		**(9,636)**	260
Miscellaneous income		**(6,735)**	(4,979)
Interest income		**(2,086)**	(8,492)
Finance costs		**23,531**	21,494
Depreciation	4, 6	**71,260**	60,502
Amortisation	8	**5,653**	6,084
Operating profit before changes in working capital		**173,510**	199,521
Inventories		**5,284**	(7,701)
Trade receivables		**(34,731)**	(522)
Other current assets		**13,790**	(2,007)
Trade and other payables		**44,506**	(10,525)
		202,359	178,766
Taxation paid		**(12,137)**	(15,686)
Directors' remuneration paid		**(140)**	(140)
Employees' end of service benefits paid	18	**(12,281)**	(11,413)
Net cash flows from operating activities		**177,801**	151,527
INVESTING ACTIVITIES			
Additions to property, plant and equipment	4	**(55,601)**	(43,238)
Proceeds from disposal of property, plant and equipment		**3,295**	4,000
Additions to projects in progress	5	**(6,122)**	(20,009)
Net movement in other non-current assets		**(178)**	89
Additions to investment properties	7	**(15,741)**	(8,446)
Additions to intangible assets		**(57)**	(329)
Acquisition of investment in an associate	10	**(4,375)**	-
Acquisition of additional interests in subsidiaries		**(1,141)**	(390)
Acquisition of subsidiaries net of cash acquired		**-**	(1,664)
Disposal of a subsidiary		**-**	548
Net movement in financial assets at fair value through profit or loss		**(19,345)**	460
Net movement in financial assets at fair value through other comprehensive income		**(3,877)**	(1,247)
Loans to related parties		**(40,112)**	(50,471)
Dividends received from associates	10	**2,170**	2,006
Interest income received		**890**	1,086
Net movement in deposits with original maturities exceeding three months		**(1,145)**	-
Net cash flows used in investing activities		**(141,339)**	(117,605)
FINANCING ACTIVITIES			
Net movement in interest bearing loans		**84,331**	59,972
Payment of lease obligations	6	**(47,341)**	(36,796)
Finance costs paid		**(15,441)**	(17,369)
Dividends paid to equity holders of the Parent Company		**(8,152)**	(21,784)
Dividends paid to non-controlling interests		**(12,281)**	(12,927)
Increase of non-controlling interests in subsidiaries		**-**	260
Net cash flows from (used in) financing activities		**1,116**	(28,644)
Net foreign exchange translation differences		**386**	(273)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**37,964**	5,005
Cash and cash equivalents at 1 January		**130,932**	125,927
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	**168,896**	130,932

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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 1 January 2020	176,294	152,650	85,368	(49,239)	44,366	(39,548)	(19,842)	60	(706)	750,977	1,100,380	49,190	1,149,570
Profit for the year	-	-	-	-	-	-	-	-	-	41,577	41,577	10,318	51,895
Other comprehensive (loss) income	-	-	-	-	-	1,821	(3,329)	4,883	5,413	-	8,788	188	8,976
Total comprehensive (loss) income for the year	-	-	-	-	-	1,821	(3,329)	4,883	5,413	41,577	50,365	10,506	60,871
Dividends (Note 17)	-	-	-	-	-	-	-	-	-	(8,320)	(8,320)	-	(8,320)
Issue of bonus share (Note 17)	26,443	-	-	-	-	-	-	-	-	(26,443)	-	-	-
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	(7,433)		7,433	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(11,128)	(11,128)
Transfer to statutory reserve	-	-	4,363	-	-	-	-	-	-	(4,363)	-	-	-
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	581	-	581	(393)	188
As at 31 December 2020	**202,737**	**152,650**	**89,731**	**(49,239)**	**44,366**	**(37,727)**	**(23,171)**	**(2,490)**	**5,288**	**760,861**	**1,143,006**	**48,175**	**1,191,181**

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 2020

	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 1 January 2019	153,299	152,650	76,279	(49,239)	44,366	(38,428)	(18,897)	351	(24,848)	718,006	1,013,539	52,695	1,066,234
Profit for the year	-	-	-	-	-	-	-	-	-	86,759	86,759	13,260	100,019
Other comprehensive (loss) income	-	-	-	-	-	(1,120)	(945)	(291)	25,604	-	23,248	(2,650)	20,598
Total comprehensive (loss) income for the year	-	-	-	-	-	(1,120)	(945)	(291)	25,604	86,759	110,007	10,610	120,617
Dividends (Note 17)	-	-	-	-	-	-	-	-	-	(21,704)	(21,704)	-	(21,704)
Issue of bonus share (Note 17)	22,995	-	-	-	-	-	-	-	-	(22,995)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(14,039)	(14,039)
Transfer to statutory reserve	-	-	9,089	-	-	-	-	-	-	(9,089)	-	-	-
Increase of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	260	260
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	(1,462)	-	(1,462)	(336)	(1,798)
As at 31 December 2019	176,294	152,650	85,368	(49,239)	44,366	(39,548)	(19,842)	60	(706)	750,977	1,100,380	49,190	1,149,570

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

1 CORPORATE INFORMATION

Agility Public Warehousing Company K.S.C.P. (the "Parent Company") is a public shareholding company incorporated in 1979 and listed on Boursa Kuwait 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 3.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 14 March 2021, 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 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements are prepared on a historical cost basis, except for investment properties, financial assets carried at fair value through profit or loss, financial assets at fair value through other comprehensive income, loan to a related party, loan to an associate and derivative financial instruments that are measured at fair value.

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.

Certain prior year amounts have been reclassified to conform to the current year presentation. There is no effect of these reclassifications on the previously reported equity and profit for the year then ended.

2.2 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 2020. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

The results of the subsidiaries acquired or disposed 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.

2.3 CHANGE IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except as mentioned below:

New and amended standards and interpretations
The nature and the impact of each new standard and amendment is described below:

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments do not have a material impact on the consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8 Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGE IN ACCOUNTING POLICIES (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statments of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May, the IASB issued COVID-19 related rent concessions- amendments to IFRS 16 Leases. The amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concession arising as a direct consequence from the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020. Earlier application is permitted.

The Group has early adopted and applied the practical expedient effective from 1 May 2020 to all rent concessions that meet the conditions for it. The Group has elected not to assess whether a COVID-19 related rent concession from a lessor is a lease modification and has accounted the rent concessions as negative variable lease payment.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IAS 1: Classification of liabilities as current or non-current
In January 2020, the IASB issued amendments to paragraph 69 to 76 of IAS 1 to specify the requirements for classifying as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments to the classification of liabilities is not expected to have a significant impact on the Group's consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applied the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9: Financial Instruments ("IFRS 9"), is measured at fair value with the changes in fair value recognised in the consolidated statement of income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of income.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

All other assets are classified as non-current.

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

The Group classifies all other liabilities as non-current.

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and the lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land, buildings and improvements	2 to 48 years
Tools, machinery and equipment	2 to 8 years
Vehicles and ships	2 to 10 years
Furniture and office equipment	2 to 7 years

If the ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment in accordance with the Group's impairment of non-financial assets policy.

ii. Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental interest rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental revenues arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging 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 revenues. Contingent rents are recognised as revenue in the period in which they are earned.

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

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

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the period of retirement or disposal. The amount of consideration to be included in the gain or loss arising from the derecognition of the investment property is determined in accordance with the requirements for the determining the transaction price in IFRS 15.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
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.

Build-own-transfer ("BOT") projects and concessions
BOT projects and concessions 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.

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 and joint ventures
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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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 and joint venture 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 or a joint venture 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 or joint venture since the acquisition date. Goodwill relating to the associate or joint venture 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 or joint venture. 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 or joint venture, 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 or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture 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 or joint venture.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Investment in associates and joint ventures (continued)

a. Equity method (continued)
The financial statements of the associate or joint venture 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 or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control 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 and Joint Ventures', which allows investments held by Venture Capital Organisations to be accounted for at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments', with changes in fair value recognised in the consolidated statement of income in the period of the change.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition
Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

Measurement categories of financial assets and liabilities
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

Financial liabilities, other than commitments and guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments when the fair value designation is applied.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

The Group classifies its financial assets upon initial recognition into the following categories:

Debt instruments at amortised cost
A financial asset which is a debt instrument, is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Bank balances and short-term deposits and trade receivables and certain other assets are classified as debt instruments at amortised cost.

Debt instruments at amortised cost are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Debt instruments at FVTPL
Debt instruments at FVTPL includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Loan to related parties and loan to an associate is classified as debt instrument at FVTPL.

FVTPL debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value along with interest income and foreign exchange gains and losses recognised in consolidated statement of income.

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of income. Dividends are recognised in statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity investments at FVOCI are not subject to impairment assessment.

Equity instruments at FVTPL
The Group classifies equity instruments at fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values and dividends are recorded in consolidated statement of income when the right to payment has been established.

Included in this classification are certain equity securities and funds.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

The Group has determined the classification and measurement of its financial assets as follows:

a. Financial assets at fair value through profit or loss
The Group's financial assets at fair value through profit or loss consists of certain investment in funds, unquoted equity securities and investment in an associate held through venture capital organisation.

Investment in an associate held directly or indirectly through venture capital organisation are not accounted for using equity method, as the Group has elected to measure these investments at fair value through statement of income in accordance with IFRS 9, using the exemption of IAS 28: Investments in associates and joint ventures. This is carried in the consolidated statement of financial position at fair value with net changes in fair value recorded as unrealized gain (loss) in the consolidated statement of income.

b. Loan to an associate and related party
Loan to an associate and related party are non-derivative financial assets with fixed or determinable payments which is not quoted in an active market. After initial measurement, such financial assets are subsequently measured at FVTPL.

c. Trade receivables
Trade receivables are measured at transaction price, as disclosed in the Group's accounting policy regarding revenue from contracts with customers, less expected credit losses and are stated at amortised cost.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

d. 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. These are stated at amortised cost using effective interest rate.

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

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

Reclassification of financial assets
The Group does not reclassify its financial assets subsequent to their initial recognition except under circumstances in which the Group changes the business model for managing financial assets.

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward rate agreements to hedge its foreign currency risks and interest rate risks respectively. Derivatives are recorded at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for held for trading derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derivative financial instruments and hedge accounting (continued)
An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in consolidated statement of income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to be offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

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.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

a) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derivative financial instruments and hedge accounting (continued)
b) 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.

c) 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.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:
- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest bearing loans, lease liabilities and derivative financial instruments.

The Group has determined the classification and measurement of its financial liabilities as follows:

a. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

b. Interest bearing loans

After initial recognition, interest bearing loans are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of income.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
ii) Financial liabilities (continued)

c. 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 liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

iii) Offsetting of financial instruments
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.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Debt instruments and financial assets at FVTPL are not subject to ECL.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Fair values
The Group measures certain financial instruments (including derivatives) and non-financial assets such as investment properties, at 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Fair values (continued)
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, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Impairment of 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT 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 other comprehensive income 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

Local
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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT 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

Revenue from contracts with customers
The Group is primarily engaged in providing the following services:

Logistics revenue
Logistics revenue primarily comprises inventory management, order fulfilment, transportation and warehousing services.

Logistics revenues are recognised at the point in time when the services are rendered to the customer except for warehousing services that are recognised over time, using an input method to measure progress towards complete satisfaction of the service.

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 reported in this segment include revenues generated from the principal service as well as revenues generated from brokerage services as such customs clearance, documentation and arrangement of complex logistics supply movement that are incidental to the principal service.

The Group concluded that revenue from the freight forwarding and project forwarding revenues will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service except for brokerage services that are recognised at the point in time when the services are rendered to the customer.

Rental services
Rental income arising on investment properties is recognised over time, using an input method to measure progress towards complete satisfaction of the service.

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

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

The significant accounting judgements related to the revenue from contracts with customers is detailed in Note 2.6.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Restructuring expenses
Restructuring provisions are recognised only when the Group has a constructive obligation, which is when:
- there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and
- the employees affected have been notified of the plan’s main features.

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.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements
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:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)
Revenue from contracts with customers
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

a. Identifying performance obligations in a bundled contract
The Group provides certain freight forwarding and project forwarding services to its customers as part of a single arrangement and these arrangements may include various performance obligations that represents performing a contractually agreed-upon task(s) for a customer. The Group determined that each of these performance obligations are capable of being distinct as these services are separately identifiable from other obligations in the contract and the customer can benefit from each service on its own.

Furthermore, the Group also determined that the promises of such services are distinct within the context of each contract, the transaction price is determined separately based on each obligation and these services are not highly interdependent or highly interrelated.

The transaction prices is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, the Group estimates separate transaction price for each performance obligation based on expected cost plus margin.

b. Determine transaction price
The transaction price is the amount of consideration that is enforceable and to which the Group expects to be entitled in exchange for services promised to the customer. The Group determines the transaction price by considering the terms of the contract and business practices that are customary.

c. Determining the timing of satisfaction of services
i. Freight forwarding and project forwarding services
The Group concluded that revenue from freight forwarding and project forwarding services (excluding brokerage services), warehousing services and rental services to its customers is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform such services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs. The Group has a right to payment for the performance completed to date as, under each contractual agreement with a customer, the Group is entitled to an amount that at least compensates the Group for its performance completed to date in the event that the customer terminates the contract for reasons other than the Group's failure to perform as promised. Furthermore, the Group's performance does not create an asset with an alternative use to the entity.

The Group has determined to utilize the input method for measuring progress of such services because there is a direct relationship between the Group's effort and the transfer of service to the customer. In respect to freight forwarding and project forwarding services (excluding brokerage services) the Group recognises revenue on these services on the basis of the costs incurred relative to the total expected costs to complete the performance obligations. Whereas, in respect to warehousing services and rental services, the Group recognises revenue on a straight-line basis as the Group's efforts being evenly expended throughout the performance period.

ii. Logistics revenue
The Group concluded that revenue from logistics services (excluding warehousing services) to its customers is to be recognised at the point in time when the services are rendered to the customer.

d. Principal versus agent considerations
During the performance of freight forwarding and project forwarding services to its customer, the Group involves certain third parties in providing certain services. The Group has concluded that it is a principal in such arrangements as the Group retains the right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf and the Group is primarily held responsible for fulfilling each obligation to the customer.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)
Revenue from contracts with customers (continued)
e. Consideration of significant financing component in a contract
The Group does not expect to have any contracts where the period between the transfer of promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate

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, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 intangible asset and goodwill with indefinite life at 31 December 2020 were KD 4,721 thousand and KD 256,431 thousand respectively (2019: KD 4,721 thousand and KD 254,007 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.

Provision for expected credit losses of trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 2.5.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Pension and other post employment benefits

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

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

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

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

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.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

3 GROUP INFORMATION

Principal subsidiaries of the Group are as follows:

	Ownership % as at 31 December		
Name of company	***2020***	*2019*	*Country of incorporation*
Agility Transport Company W.L.L.	**100.00%**	100.00%	State of Kuwait
Agility DGS Logistics Services Company 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") *	**96.56%**	94.38%	State of Kuwait
Agility GIL for Company's Business Management W.L.L.	**100.00%**	100.00%	State of Kuwait
Agility GIL for Warehousing and Third Party Inventory Management S.P.C.	**100.00%**	100.00%	State of Kuwait
Agility Mayan Holding W.L.L	**100.00%**	100.00%	Bahrain
NAS Ivoire S.A.*	**100.00%**	100.00%	Ivory Coast
Tristar Transport LLC ("Tristar") *	**65.12%**	65.12%	United Arab Emirates
Agility Logistics L.L.C.	**100.00%**	100.00%	United Arab Emirates
Agility Abu Dhabi P.J.S.C. (Note 2.6)	**49.00%**	49.00%	United Arab Emirates
Agility Distriparks FZE *	**100.00%**	100.00%	United Arab Emirates
Agility International Investment L.L.C *	**100.00%**	100.00%	United Arab Emirates
Agility Logistics Corp.	**100.00%**	100.00%	United States of America
Agility Project Logistics Inc.	**100.00%**	100.00%	United States of America
Tristar Terminals Guam Inc *	**82.56%**	82.56%	Guam
Agility Company L.L.C.	**100.00%**	100.00%	Saudi Arabia
Agility Logistics Park *	**100.00%**	100.00%	Saudi Arabia
Agility Logistics Private Limited	**100.00%**	100.00%	India
Agility E-Services private Ltd. *	**100.00%**	100.00%	India
GIL Shared Services Private Ltd	**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.

3 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.

	2020	*2019*
	KD 000's	*KD 000's*
Summarised statement of income:		
Revenues	**138,153**	156,781
Profit for the year	**7,951**	10,781
Allocated to non-controlling interests	**2,438**	4,653
Summarised statement of financial position:		
Total assets	**284,612**	274,499
Total liabilities	**(165,896)**	(159,796)
Total equity	**118,716**	114,703
Accumulated balances of non-controlling interests	**38,957**	38,017
Summarised cash flow information:		
Operating	**43,332**	23,608
Investing	**(42,223)**	(25,578)
Financing	**(5,238)**	(1,764)
Net decrease in cash and cash equivalents	**(4,129)**	(3,734)

4 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and improvements KD 000's	*Tools, machinery and equipment KD 000's*	*Vehicles and ships KD 000's*	*Furniture and office equipment KD 000's*	*Total KD 000's*
Cost:					
As at 1 January 2020	157,835	92,746	135,708	116,743	503,032
Additions	3,045	3,429	38,535	10,592	55,601
Transfer from projects in progress (Note 5)	2,688	284	7,752	932	11,656
Disposals	-	(3,431)	(9,918)	(4,847)	(18,196)
Exchange differences	1,512	578	343	1,434	3,867
As at 31 December 2020	**165,080**	**93,606**	**172,420**	**124,854**	**555,960**
Depreciation:					
As at 1 January 2020	(71,436)	(64,031)	(59,377)	(92,730)	(287,574)
Charge for the year	(6,808)	(6,945)	(9,314)	(7,516)	(30,583)
Disposals	-	3,159	8,341	3,271	14,771
Exchange differences	(1,137)	(420)	(46)	(1,303)	(2,906)
As at 31 December 2020	**(79,381)**	**(68,237)**	**(60,396)**	**(98,278)**	**(306,292)**
Net book value:					
As at 31 December 2020	**85,699**	**25,369**	**112,024**	**26,576**	**249,668**

	Land, buildings and improvements KD 000's	*Tools, machinery and equipment KD 000's*	*Vehicles and ships KD 000's*	*Furniture and office equipment KD 000's*	*Total KD 000's*
Cost:					
As at 31 December 2018	184,035	100,508	183,540	104,802	572,885
Transfer to right-of-use assets	(11,810)	(57)	(63,509)	(80)	(75,456)
As at 1 January 2019	172,225	100,451	120,031	104,722	497,429
Additions	17,550	415	14,289	10,984	43,238
Transfer from projects in progress (Note 5)	1,968	-	-	-	1,968
Transfer to investment property (Note 7)	(29,086)	-	-	-	(29,086)
Disposal of subsidiary	-	-	(273)	(16)	(289)
Disposals	-	(4,871)	-	-	(4,871)
Exchange differences	(4,822)	(3,249)	1,661	1,053	(5,357)
As at 31 December 2019	157,835	92,746	135,708	116,743	503,032
Depreciation:					
As at 31 December 2018	(69,428)	(66,627)	(54,719)	(85,421)	(276,195)
Transfer to right-of-use assets	1,184	-	5,616	-	6,800
As at 1 January 2019	(68,244)	(66,627)	(49,103)	(85,421)	(269,395)
Charge for the year	(9,188)	(3,137)	(10,128)	(7,254)	(29,707)
Disposals	-	1,375	-	-	1,375
Transfer to investment property (Note 7)	936	-	-	-	936
Disposal of subsidiary	-	-	273	16	289
Exchange differences	5,060	4,358	(419)	(71)	8,928
As at 31 December 2019	(71,436)	(64,031)	(59,377)	(92,730)	(287,574)
Net book value:					
As at 31 December 2019	86,399	28,715	76,331	24,013	215,458

5 PROJECTS IN PROGRESS

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

	2020 ***KD 000's***	*2019* *KD 000's*
As at 1 January	**56,313**	41,009
Additions	**6,122**	20,009
Transfer to property, plant and equipment (Note 4)	**(11,656)**	(1,968)
Transfer to investment properties (Note 7)	**(7,124)**	(2,423)
Impairment	**(3,141)**	-
Exchange differences	**252**	(314)
As at 31 December	**40,766**	56,313

6 LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets, lease liabilities and the movements during the year:

	Right-of-use assets					
	Land, buildings and improvements KD 000's	***Tools, machinery and equipment KD 000's***	***Vehicles and ships KD 000's***	***Furniture and office equipment KD 000's***	***Total KD 000's***	***Lease liabilities KD 000's***
At 1 January 2020	113,372	4,901	63,932	742	182,947	164,419
Additions	47,625	156	3,018	-	50,799	50,799
Transfer to investment property (Note 7)	(12,797)	-	-	-	(12,797)	-
Depreciation	(29,628)	(1,487)	(9,339)	(223)	(40,677)	-
Finance cost	-	-	-	-	-	8,667
Lease payments	-	-	-	-	-	(47,341)
Rent concession*	-	-	-	-	-	(239)
Others (including exchange differences)	4,974	131	157	(79)	5,183	4,493
At 31 December 2020	**123,546**	**3,701**	**57,768**	**440**	**185,455**	**180,798**
Current portion						38,660
Non-current portion						142,138
						180,798

6 LEASES (continued)

	Right-of-use assets					
	Land, buildings and improvements KD 000's	*Tools, machinery and equipment KD 000's*	*vehicles and ships KD 000's*	*Furniture and office equipment KD 000's*	*Total KD 000's*	*Lease liabilities KD 000's*
At 1 January 2019	112,268	4,665	62,897	1,075	180,905	161,939
Additions	25,493	1,706	5,951	-	33,150	33,150
Depreciation	(24,172)	(1,549)	(4,882)	(192)	(30,795)	-
Finance cost	-	-	-	-	-	6,684
Lease payments	-	-	-	-	-	(36,796)
Exchange differences	(217)	79	(34)	(141)	(313)	(558)
At 31 December 2019	113,372	4,901	63,932	742	182,947	164,419
Current portion						36,607
Non-current portion						127,812
						164,419

** Rent concession*
Rent concession represents concessions received by the Group from its lessors as a result of COVID-19 pandemic. The Group has early adopted and applied the practical expedient effective from 1 May 2020 to all rent concessions that meet the conditions for it. As a result, the Group has elected not to assess whether a COVID-19 related rent concession from a lessor is a lease modification and has accounted the rent concessions as negative variable lease payment. During the year ended 31 December 2020, the Group recognised KD 239 thousand in consolidated statement of income.

The lease liabilities reported in the consolidated statement of financial position includes liabilities amounting to KD 3,671 thousand (2019: KD 3,874 thousand) related to service concession arrangements recognised as intangible assets.

Set out below, are the amounts recognised in the consolidated statement of income related to leases:

	2020 KD 000's	*2019 KD 000's*
Depreciation expense of right-of-use assets	**(40,677)**	(30,795)
Finance cost on lease liabilities	**(8,667)**	(6,684)
Expense relating to short-term leases and low-value assets (included in administrative expenses)	**(5,265)**	(9,229)
Expense relating to short-term leases (included in cost of revenues)	**(1,154)**	(1,523)
Rent concession	**239**	-
	(55,524)	(48,231)

For the year ended 31 December 2020, the Group reported total cash outflows for leases of KD 47,341 thousand (2019: KD 36,796 thousand). Additionally, the Group reported non-cash additions to right-of-use assets and lease liabilities of KD 50,799 thousand (2019: KD 33,150 thousand) during the year.

7 INVESTMENT PROPERTIES

	2020	*2019*
	KD 000's	*KD 000's*
As at 1 January	**371,190**	301,568
Additions	**15,741**	8,446
Transfer from property, plant and equipment (Note 4)	**-**	28,150
Transfer from projects in progress (Note 5)	**7,124**	2,423
Transfer from right-of-use assets (Note 6)	**12,797**	-
Revaluation surplus from transfer of land	**261**	26,972
Change in fair value	**(13,403)**	3,642
Exchange differences	**34**	(11)
As at 31 December	**393,744**	371,190

The Group has classified certain properties amounting to KD 276,893 thousand (2019: KD 298,874 thousand) held under long term operating leases as investment properties. These investment properties are located in Kuwait.

The fair values of investment properties as at 31 December 2020 and 31 December 2019 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 a combination of market and income approaches as appropriate. 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 19,687 thousand (2019: KD 18,560 thousand).

Change in fair value includes a loss of KD 28,000 thousand in respect of a land located in South Amghara that was held on a lease with the Public Authority of Industry ("PAI") pursuant to a court ruling on 18 February 2021 in favour of PAI [Note 26 (c)].

Investment properties includes properties with carrying value of KD 77,200 thousand (2019: KD 74,400 thousand) which are leased from the PAI. The contracts under which these properties were leased have expired as of the reporting date. The Parent Company is in the process of negotiating the renewal of these contracts with PAI and (after consulting the external counsel) is of the opinion that the lease contracts with PAI will be renewed in accordance with the Industry law and its executive regulations.

Investment properties also include a property with a book value of KD 8,566 thousand (2019: KD 8,556 thousand) representing land located in South Amghara that was allocated by PAI to a subsidiary in accordance with a contract no (27/2013) dated 19 June 2013. Pursuant to the recommendation of the Kuwait Ministry of Commerce and Industry on 25 January 2021, the Kuwait Municipality removed the company's facilities and vacated the site on February 22, 2021. It also proceeded to demolish the buildings and factory established by the subsidiary claiming the expiration of the aforementioned contract, despite the agreement of the contracting parties to renew it. The response of the Fatwa and Legislation Department to the Public Authority for Industry confirmed that the contract was renewed, as well as the legality of the company's possession of the site until now. The subsidiary company reserves the right to claim compensation for all damages resulting from the implementation of the aforementioned recommendation. In view of the foregoing, the Group has not considered any fair value adjustments in respect of the above property.

8 INTANGIBLE ASSETS

	BOT projects and concessions KD 000's	*Customer lists KD 000's*	*Brand KD 000's*	*Total KD 000's*
Cost:				
As at 1 January 2020	48,351	7,271	4,721	60,343
Additions	543	-	-	543
As at 31 December 2020	**48,894**	**7,271**	**4,721**	**60,886**
Amortisation:				
As at 1 January 2020	(28,135)	(7,156)	-	(35,291)
Charge for the year	(5,538)	(115)	-	(5,653)
As at 31 December 2020	**(33,673)**	**(7,271)**	**-**	**(40,944)**
Net book value:				
As at 31 December 2020	**15,221**	**-**	**4,721**	**19,942**

	BOT projects and concessions KD 000's	*Customer lists KD 000's*	*Brand KD 000's*	*Total KD 000's*
Cost:				
As at 1 January 2019	42,751	7,271	4,721	54,743
Additions	5,600	-	-	5,600
As at 31 December 2019	48,351	7,271	4,721	60,343
Amortisation:				
As at 1 January 2019	(22,549)	(6,658)	-	(29,207)
Charge for the year	(5,586)	(498)	-	(6,084)
As at 31 December 2019	(28,135)	(7,156)	-	(35,291)
Net book value:				
As at 31 December 2019	20,216	115	4,721	25,052

Certain 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 and Sheikh Saa'd Terminal. Concessions represents fee incurred for providing Ground handling services in Cote d' Ivoire and Uganda. 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 (2019: Nil).

9 GOODWILL

	2020 KD 000's	*2019 KD 000's*
Cost:		
As at 1 January	**281,225**	276,926
Additions	**-**	2,439
Exchange differences	**2,424**	1,860
As at 31 December	**283,649**	281,225
Impairment:		
As at 1 January and 31 December	**(27,218)**	(27,218)
Net carrying value	**256,431**	254,007

9 GOODWILL (continued)

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

	Carrying amount of goodwill	
	2020	*2019*
Cash generating units:	***KD 000's***	*KD 000's*
Global Integrated Logistics	**225,251**	222,903
Infrastructure	**31,180**	31,104
Total	**256,431**	254,007

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 2021 and assuming an average annual growth rate of 1.9 % (2019: 5.4 %) for the four year period thereafter, which is in the range of the current short term growth rate for the logistics industry. The pre-tax discount rate applied to cash flow projections is 10% (2019: 10%) and cash flows beyond the 5 year period are extrapolated using a growth rate of 3% (2019: 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;
- Earnings 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.

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

	2020	*2019*
	KD 000's	*KD 000's*
As at 1 January	**101,352**	101,228
Additions to investment in associates	**4,375**	-
Share of results	**675**	3,018
Share of other comprehensive loss	**(836)**	(765)
Dividend received	**(2,170)**	(2,006)
Foreign currency translation adjustments	**23**	(123)
As at 31 December	**103,419**	101,352

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

The Group determines that Gulf Warehousing Company Q.S.C. ("GWC") and National Real Estate Company K.P.S.C. ("NREC") as the material associates of the Group and the following table provides summarised financial information of the Group's investment in associates and joint ventures:

	GWC		***NREC***		***Joint ventures***	
	2020	*2019*	***2020***	*2019*	***2020***	*2019*
	KD '000s	*KD '000s*	***KD '000s***	*KD 000's*	***KD '000s***	*KD 000's*
Summarised statement of financial position:						
Current assets	**69,330**	68,576	**54,345**	47,623	**2,376**	7,609
Non-current assets	**286,792**	269,408	**432,391**	419,762	**326,414**	258,784
Current liabilities	**(50,493)**	(46,123)	**(73,061)**	(64,069)	**(4,816)**	(8,871)
Non-current liabilities	**(139,336)**	(134,891)	**(130,391)**	(131,390)	**(261,910)**	(180,783)
Equity	**166,293**	156,970	**283,284**	271,926	**62,064**	76,739
Proportion of the Group's ownership	**21.59%**	21.59%	**20%**	20%		
Group's share in the equity	**35,903**	33,889	**28,407**	29,783	**9,170**	12,081
Goodwill	**20,345**	20,345	**-**	-	**-**	-
Carrying value of investment	**56,248**	54,234	**28,407**	29,783	**9,170**	12,081
Summarised statement of income:						
Revenue	**103,305**	101,885	**10,063**	11,689	**4**	5
Profit (loss)	**19,760**	20,806	**2,895**	9,201	**(921)**	(1,615)

Other associates of the Group amount to KD 9,594 thousand (31 December 2019: 5,254 thousand).

As at 31 December 2020, the fair market value of the Group's interest in GWC, which is listed on the Qatar Stock Exchange, is KD 54,090 thousand (2019: KD 57,783 thousand) and NREC, which is listed on Kuwait Stock Exchange is KD 23,757 thousand (2019: KD 24,934 thousand).

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 ***KD 000's***	*2019* *KD 000's*
Investment in an associate – outside Kuwait	**110,078**	109,183
Quoted equity securities – outside Kuwait	**34,405**	-
Convertible loan – outside Kuwait	**607**	-
Unquoted equity securities – in Kuwait	**21**	104
Investment in funds – outside Kuwait	**2,297**	2,861
	147,408	112,148

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 IFRS 9, with changes in fair value recognised in the consolidated statement of income in the period of change.

As at 31 December 2020, interest bearing loan provided by the Group to Korek Telecom amounted to KD 35,464 thousand (2019: KD 35,259 thousand) (Note 27).

Korek Litigation
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, as well as the CMC's order to transfer the shares acquired by the Group back to the original Iraqi shareholders (which was implemented in March 2019). Without limitation, the Group's claims relate to Iraq's failure to treat the Group's investment of over USD 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 and an initial procedural hearing was held on 31 January 2018.

The Group's memorial was submitted on 30 April 2018. On 6 August 2018, Iraq submitted objections to jurisdiction and requested that they be determined as a preliminary matter before the case proceeds further on the merits. The tribunal bifurcated the proceedings on 31 October 2018 and the Group submitted its counter-memorial on jurisdiction on 10 January 2019. The reply of the respondents was submitted on 25 February 2019 and the Group's rejoinder was submitted on 21 March 2019. The hearings were held on 24 and 25 April 2019. On 9 July 2019, the tribunal issued its decision on jurisdiction in which it found that it had jurisdiction over certain (but not all) of the Group's claims. The case will now go forward on the merits of the claims over which the tribunal has jurisdiction. The Respondent's counter-memorial was submitted on 13 March 2020. The Group's Reply to Respondent's Counter-Memorial was submitted on 17 July 2020. The hearings on the merits were held in October 2020, and post-hearing submissions were submitted in November 2020.

On 22 February 2021, the tribunal issued its ruling, dismissing all of the Group's claims and awarding costs of approximately USD 5 million in favor of the respondent. The Group is considering an application to annul the ruling.

As the tribunal refused to address the merits of the regulatory decision itself as issued by the CMC expropriating the Group's investment in Korek, claiming lack of jurisdiction, the Parent Company is also in the process of preparing a fresh claim against the Republic of Iraq.

As the dispute remains pending without legal resolution and in the absence of clarity, the financial impact of this case cannot be assessed.

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

Korek Litigation (continued)
In conjunction with the foregoing claims related to Korek Telecom, Iraq Telecom Limited ("IT Ltd.") (in which the Group holds an indirect 54% stake) commenced the following proceedings:

- *Share Subscription Agreement Arbitration*

On 29 June 2017, IT Ltd. commenced arbitration proceedings before The International Chamber of Commerce ("ICC") 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 Group's investment in Korek Telecom. The amount in dispute is approximately USD 75 million (excluding interest). The tribunal was constituted on 2 February 2018, with terms of reference and a procedural timetable to be issued by the tribunal in due course.

IT Ltd.'s statement of claim was submitted on 17 May 2018 and the respondents' statement of defense was submitted on 12 September 2018.

IT Ltd. submitted its reply on 8 March 2019 and the respondents submitted their rejoinder on 3 May 2019. The hearings were held on 16 and 17 September 2019. On 1 April 2020, the tribunal issued its final award in favor of the respondents and dismissing all of IT Ltd's claims.

- *Shareholders Agreement Arbitration*

On 4 June 2018, IT Ltd. commenced ICC arbitration proceedings against CS Ltd. and Mr. Sirwan Saber Mustafa. The dispute is in relation to various contractual breaches by the respondents under a shareholders' agreement relating to the Parent Company's investment in Korek Telecom. The amount in dispute is to be determined during the course of the proceedings.

The request for arbitration was submitted on 4 June 2018, and the respondents' reply was submitted on 10 September 2018. IT Ltd. filed an amended request for arbitration on 15 January 2019 and the tribunal was constituted on 29 March 2019. IT Ltd's Statement of Claim was submitted on 28 August 2019 and CS Ltd's Statement of Defense was submitted on 22 January 2020. On 10 July 2020, IT Ltd. discontinued the proceedings on a without prejudice basis.

New proceedings were commenced with similar claims were nonetheless filed by IT Ltd., both for itself and on behalf of International Holdings Ltd. and Korek Telecom, against CS Ltd. and Mr. Sirwan Saber Mustafa. On 25 August 2020, IT Ltd. filed its second amended (and current) request for arbitration for itself and in the name and on behalf of International Holdings Ltd. The tribunal has been constituted, and IT Ltd.'s application to pursue derivative claims on behalf of International Holdings Ltd. and Korek Telecom was submitted in December 2020.

The tribunal held a preliminary hearing in February 2021 to adjudicate IT Ltd.'s application to bring derivative claims on behalf of International Holdings Ltd (including whether the tribunal has jurisdiction over such an application). A decision is expected in March 2021. The parties will then make a series of sequential submissions on the merits, and engage in disclosure, with the hearing on the merits scheduled for late March/early April 2022.

- *IBL Subordination Agreement Arbitration: Arbitration proceedings against IBL Bank SAL, Korek Telecom and International Holdings Ltd.*

The dispute is in relation to alleged fraud orchestrated by certain Korek Telecom stakeholders with the knowledge and cooperation of IBL Bank in connection with a subordination agreement relating to a USD 150 million loan extended by IBL Bank to Korek Telecom. The amount in dispute is to be determined during the course of the proceedings. The request for arbitration was submitted on 26 June 2018, and the respondents' reply and counter-claim was submitted on 8 October 2018. The counterclaim seeks damages for losses (still unquantified) allegedly suffered by the respondents in relation to their reputation and good standing. IBL's answer and counterclaim was submitted on 8 November 2018. Korek's and IH's answer was submitted on 14 December 2018. The tribunal was constituted on 15 May 2019. IT Ltd.'s Statement of Claim was submitted on 22 November 2019, and respondents' Statements of Defense were submitted on 21 February 2020. IT Ltd.'s Reply was filed on 22 July 2020. IBL's Rejoinder and Reply to Defence to Counterclaim and IH/Korek's Rejoinder were filed on 23 October 2020. The hearings were convened in February 2021. The tribunal is expected to issue its ruling at any time.

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

Korek Litigation (continued)

▸ *DIFC Director Claims*

On 12 March 2018 IT Ltd. commenced proceedings in the courts of the Dubai International Financial Centre ("DIFC") against certain directors of International Holdings Limited (the holding company of Korek in which IT Ltd. holds a 44% interest). The defendant directors are Abdulhameed Aqrawi, Nozad Jundi and Raymond Zina Rahmeh. The claim alleges breach of the defendants' duties as directors of International Holdings. IT Ltd. is in the process of effecting service of the claims in Lebanon and Iraq.

Separately, on 5 September 2017, Modern Global Company for General Trading of Equipment, 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. On 20 March 2019, Modern Global was awarded its full claim, interest and legal costs, amounting to approximately USD 4.5 million. The Group is currently in the process of enforcing the award against Korek Telecom. As part of the enforcement process, Modern Global sought leave to make alternative service on Korek. A hearing before the DIFC Court regarding the grant of alternative service was convened on 9 February 2021.

Consequently, as a result of the ongoing litigation relating to Korek, 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 2020 and 31 December 2019 and accordingly the investment is carried at its fair value as at 31 December 2013 of USD 359 million equivalent to KD 110,078 thousand (2019: KD 109,183 thousand).

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 ***KD 000's***	*2019* *KD 000's*
Unquoted equity securities:		
- In Kuwait	**2,821**	5,481
- Outside Kuwait	**10,925**	10,375
	13,746	15,856

13 INVENTORIES

	2020 ***KD 000's***	*2019* *KD 000's*
Goods for resale	**24,185**	29,571
Provision for obsolete and slow-moving inventories	**(795)**	(897)
	23,390	28,674

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

14 TRADE RECEIVABLES

	2020 ***KD 000's***	*2019* *KD 000's*
Gross trade receivables	**436,915**	397,481
Allowance for expected credit losses	**(71,359)**	(65,865)
	365,556	331,616

Movement in the allowance for expected credit losses of trade receivables is as follows:

	2020 ***KD 000's***	*2019* *KD 000's*
As at 1 January	**65,865**	59,420
Expected credit losses for the year	**5,777**	7,014
Amounts written-off	**(451)**	(715)
Others (including exchange differences)	**168**	146
As at 31 December	**71,359**	65,865

15 OTHER CURRENT ASSETS

	2020 *KD 000's*	*2019* *KD 000's*
Prepaid expenses	**35,525**	34,314
Advances to suppliers	**22,172**	27,056
Claims in dispute [Note 26 (b)]	**10,092**	10,092
Deposits	**7,611**	7,621
Sundry receivables	**8,323**	7,731
Accrued income	**6,420**	6,296
Jobs in progress	**3,350**	1,911
Other claims receivable	**2,193**	2,046
Staff receivables	**1,483**	1,839
Other	**5,279**	1,082
	102,448	99,988

16 BANK BALANCES, CASH AND DEPOSITS

	2020 *KD 000's*	*2019* *KD 000's*
Cash at banks and on hand	**139,191**	96,112
Short term deposits	**29,705**	34,820
Cash and cash equivalents	**168,896**	130,932
Deposits with original maturities exceeding 3 months	**1,145**	-
	170,041	130,932

Short term deposits are placed for varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates.

17 SHARE CAPITAL, RESERVES AND DIVIDEND

a) Share capital

	Number of shares		*Amount*	
	2020	*2019*	***2020*** ***KD '000s***	*2019* *KD '000s*
Authorized, issued and fully paid up shares of 100 fils each	**2,027,370,142**	1,762,930,558	**202,737**	176,294

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, as amended, 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 profits become available in the following years, unless such reserve exceeds 50% of the issued share capital.

d) Treasury Shares

	2020	*2019*
Number of treasury shares	**113,830,690**	98,978,642
Percentage of issued shares	**5.61%**	5.61%
Market value in KD 000's	**76,950**	80,965

17 SHARE CAPITAL, RESERVES AND DIVIDEND (continued)

e) Dividend

The shareholders at the Annual General Meeting ("AGM") and the Extraordinary General Meeting held on 29 June 2020 approved the distribution of cash dividends of 5 fils per share (31 December 2018: 15 fils per share) and bonus shares of 15% (31 December 2018: 15%) in respect of the year ended 31 December 2019.

On 14 March 2021, the Board of Directors of the Parent Company recommended distribution of cash dividend of 10 fils per share (2019: 5 fils per share) and bonus shares of 10% (2019: 15%) for the year ended 31 December 2020. This proposal is subject to the approval by the shareholders' at the Annual General Assembly of the Parent Company.

f) Other comprehensive income

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

	Foreign currency translation reserve KD 000's	*Hedging reserve KD 000's*	*Investment revaluation reserve KD 000's*	*Other reserves KD 000's*	*Non-controlling interests KD 000's*	*Total KD 000's*
2020:						
Changes in fair value of equity instruments at fair value through other comprehensive income	**-**	**-**	**4,883**	**-**	**-**	**4,883**
Loss on hedge of net investments (Note 19)	**-**	**(643)**	**-**	**-**	**-**	**(643)**
Loss on cash flow hedges	**-**	**(1,850)**	**-**	**-**	**-**	**(1,850)**
Share of other comprehensive loss of associates and joint ventures	**-**	**(836)**	**-**	**-**	**-**	**(836)**
Foreign currency translation adjustments	**1,821**	**-**	**-**	**-**	**188**	**2,009**
Re-measurement gain on defined benefit plans (Note 18)	**-**	**-**	**-**	**5,152**	**-**	**5,152**
Revaluation surplus from transfer of land	**-**	**-**	**-**	**261**	**-**	**261**
	1,821	**(3,329)**	**4,883**	**5,413**	**188**	**8,976**

	Foreign currency translation reserve KD 000's	*Hedging reserve KD 000's*	*Investment revaluation reserve KD 000's*	*Other reserves KD 000's*	*Non-controlling interests KD 000's*	*Total KD 000's*
2019:						
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	(291)	-	-	(291)
Gain on hedge of net investments (Note 19)	-	258	-	-	-	258
Loss on cash flow hedge	-	(438)	-	-	-	(438)
Share of other comprehensive loss of associates and joint ventures	-	(765)	-	-	-	(765)
Foreign currency translation adjustments	(1,120)	-	-	-	(2,650)	(3,770)
Re-measurement losses on defined benefit plans (Note 18)	-	-	-	(1,368)	-	(1,368)
Revaluation surplus from transfer of land	-	-	-	26,972	-	26,972
	(1,120)	(945)	(291)	25,604	(2,650)	20,598

18 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2020	*2019*
	KD 000's	*KD 000's*
Defined benefit plans	**13,663**	20,958
Other benefit plans	**30,492**	29,393
As at 31 December	**44,155**	50,351

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

	2020	*2019*
	KD 000's	*KD 000's*
As at 1 January	**50,351**	46,837
Provided during the year	**9,131**	11,628
Paid during the year	**(12,281)**	(11,413)
Actuarial (gain) loss in respect of defined benefit plans	**(5,152)**	1,368
Others (including exchange differences)	**2,106**	1,931
As at 31 December	**44,155**	50,351

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

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.

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

2020		***Pension cost charged to consolidated statement of income***					***Re-measurement gain (losses) recognised in other comprehensive income***							
	1 January 2020 KD 000's	***Service cost KD 000's***	***Net interest KD 000's***	***Past service (cost)/benefit KD 000's***	***Sub-total KD 000's***	***Benefits paid KD 000's***	***Return on plan assets* KD 000's***	***Actuarial changes on demographic assumptions KD 000's***	***Actuarial changes on financial assumptions KD 000's***	***Experience adjustments KD 000's***	***Sub-total KD 000's***	***Contributions by employer KD 000's***	***Others (including exchange differences) KD 000's***	***31 December 2020 KD 000's***
Defined benefit obligation	(113,534)	(1,067)	(1,002)	-	(2,069)	5,829	-	(47)	(2,059)	(140)	(2,246)	-	(6,887)	**(118,907)**
Fair value of plan assets	92,576	-	892	-	892	(5,273)	7,398	-	-	-	7,398	1,959	7,692	**105,244**
Net benefit obligation	**(20,958)**	**(1,067)**	**(110)**	-	**(1,177)**	**556**	**7,398**	**(47)**	**(2,059)**	**(140)**	**5,152**	**1,959**	**805**	**(13,663)**

2019		*Pension cost charged to consolidated statement of income*					*Re-measurement gain (losses) recognised in other comprehensive income*							
	1 January 2019 KD 000's	*Service cost KD 000's*	*Net interest KD 000's*	*Past service (cost)/benefit KD 000's*	*Sub-total KD 000's*	*Benefits paid KD 000's*	*Return on plan assets* KD 000's*	*Actuarial changes on demographic assumptions KD 000's*	*Actuarial changes on financial assumptions KD 000's*	*Experience adjustments KD 000's*	*Sub-total KD 000's*	*Contributions by employer KD 000's*	*Others (including exchange differences) KD 000's*	*31 December 2019 KD 000's*
Defined benefit obligation	(107,894)	(1,012)	(1,665)	-	(2,677)	6,334	-	927	(5,565)	(3,605)	(8,243)	-	(1,054)	(113,534)
Fair value of plan assets	86,308	-	1,362	-	1,362	(5,807)	6,875	-	-	-	6,875	2,058	1,780	92,576
Net benefit obligation	(21,586)	(1,012)	(303)	-	(1,315)	527	6,875	927	(5,565)	(3,605)	(1,368)	2,058	726	(20,958)

** excluding amount included in net interest*

The actual return on plan assets for the year ended 31 December 2020 was KD 8,290 thousand (2019: KD 8,237 thousand).

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

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

	2020	*2019*
	KD 000's	*KD 000's*
Quoted investments		
- Equity	**44,369**	39,346
- Bonds	**33,826**	28,219
Unquoted investments		
- Real Estate	**13,197**	11,659
- Insurance Policies	**10,521**	7,840
- Others	**3,331**	5,512
	105,244	92,576

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

	2020	*2019*
Discount rate at 31 December	**1.11%**	1.55%
Expected rate of increase of employee remuneration	**2.40%**	2.53%
Future pension increase	**1.43%**	1.50%
Life expectation for pensioners at the age of 65 (years)	**23**	23

A quantitative sensitivity analysis for significant assumption as at 31 December 2020 and 31 December 2019 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	
	2020	*2019*
	KD 000's	*KD 000's*
Discount rate		
- 1% increase	**(14,674)**	(14,345)
- 1% decrease	**17,991**	17,716
Expected rate of increase of employee remuneration		
- 1% increase	**301**	354
- 1% decrease	**(285)**	(341)
Future pension cost increase		
- 1% increase	**13,920**	12,999
- 1% decrease	**(6,167)**	(5,950)
Life expectancy		
- increase by 1 year	**5,634**	5,281
- decrease by 1 year	**(5,629)**	(5,280)

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

	2020	*2019*
	KD 000's	*KD 000's*
Within the next 12 months	**3,391**	2,753
Between 2 and 5 years	**9,469**	9,806
Between 5 and 10 years	**7,833**	7,170
Beyond 10 years	**16,432**	14,060
	37,125	33,789

The average duration of the defined benefit plan obligation at the end of the reporting period is 14 years (2019: 15 years).

19 INTEREST BEARING LOANS

	2020 ***KD 000's***	*2019* *KD 000's*
Committed multicurrency revolving loan facility obtained from a Group of banks - Maturing in April 2022	**170,590**	128,949
Term Loans obtained from foreign banks and is repayable in quarterly instalments.	**61,478**	35,276
Term facility obtained from local bank repayable in March 2023	**35,115**	25,752
Committed Revolving loan facility from a local bank repayable in July 2023	**27,465**	24,576
Murabaha facility obtained from a local bank repayable in February 2024	**21,000**	6,000
Committed Revolving Loan Facility obtained from a Group of banks - Maturing in February 2022	**11,596**	10,012
Committed facility from foreign banks maturing in August 2022.	**9,720**	9,664
Other loans	**18,418**	30,627
	355,382	270,856

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 306,443 thousand (2019: KD 243,956 thousand) carry margin ranging from 0.8 % to 4.9% per annum (2019: 0.5 % to 5% per annum) over the benchmark rates.

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

	Current portion *KD 000's*	*Non-current portion* *KD 000's*	***Total*** ***KD 000's***
USD	15,402	265,649	**281,051**
KWD	1,984	57,086	**59,070**
AED	4,525	4,391	**8,916**
SGD	-	3,329	**3,329**
Others	2,535	481	**3,016**
At 31 December 2020	24,446	330,936	**355,382**
At 31 December 2019	23,148	247,708	270,856

Included in interest bearing loans are loans amounting to KD 75,974 thousand (2019: KD 85,787 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.

Hedge of net investments in foreign operations
Included in interest bearing loans at 31 December 2020 are loans denominated in USD 649,000 thousand (2019: USD 506,000 thousand) (hedging instrument), which have been designated as a hedge of the net investments in the overseas subsidiaries (with functional currency USD) and are being used to hedge the Group's exposure to foreign exchange risk on these investments.

Gains or losses on the retranslation of interest bearings loans are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in these subsidiaries. During the year, foreign exchange loss arising on translation of the hedging instrument amounting to KD 643 thousand (2019: gain amounting to KD 258 thousand) was taken to other comprehensive income (hedging reserve).

20 OTHER NON-CURRENT LIABILITIES

	2020 ***KD 000's***	*2019* *KD 000's*
Amounts due to related parties	**6,415**	8,014
Other liabilities	**5,639**	4,694
	12,054	12,708

21 TRADE AND OTHER PAYABLES

	2020 ***KD 000's***	*2019* *KD 000's*
Trade payables	**261,484**	230,528
Accrued expenses	**104,776**	97,140
Accrued employee related expenses	**59,934**	47,827
NLST payable	**14,686**	15,271
Taxation on overseas subsidiaries	**5,530**	3,929
Zakat payable	**3,918**	4,390
KFAS payable	**1,366**	1,204
Amounts due to related parties	**656**	371
Directors' remuneration	**140**	140
Other liabilities	**24,077**	21,413
	476,567	422,213

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

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 ***KD 000's***	*2019* *KD 000's*
Salaries	**190,265**	207,240
Employee benefits	**30,695**	29,261
Professional fees	**27,959**	30,528
Repairs and maintenance	**21,666**	22,889
Facilities management	**11,641**	10,830
Other expenses	**40,482**	48,322
	322,708	349,070

23 TAXATION

	2020	*2019*
	KD 000's	*KD 000's*
NLST	**1,087**	2,269
Contribution to KFAS	**391**	817
Zakat	**435**	908
Taxation on overseas subsidiaries	**10,048**	9,389
	11,961	13,383

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:

	2020	*2019*
	KD 000's	*KD 000's (Restated)**
Profit for the year attributable to equity holders of the Parent Company	**41,577**	86,759
	Shares	*Shares*
Weighted average number of paid up shares	**2,027,370,142**	2,027,370,142
Weighted average number of treasury shares	**(113,830,690)**	(113,830,690)
Weighted average number of outstanding shares	**1,913,539,452**	1,913,539,452
Basic and diluted earnings per share - attributable to equity holders of the Parent Company	**21.73 fils**	45.34 fils

* Basic and diluted earnings per share for the comparative period presented have been restated to reflect the adjustment of bonus shares following the bonus issue relating to year ended 31 December 2019 (Note 17).

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

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.

25 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

				Notional amounts by term to maturity		
	Positive fair value KD 000's	***Negative fair value KD 000's***	***Notional amount KD 000's***	***Within one year KD 000's***	***1 – 5 years KD 000's***	***> 5 years KD 000's***
2020						
Derivatives held for trading:						
Forward foreign exchange contracts	**11**	**-**	**24,158**	**24,158**	**-**	**-**
Derivatives held as cash flow hedge:						
Interest rate swap	**-**	**(2,011)**	**205,767**	**-**	**83,698**	**122,069**
	11	**(2,011)**	**229,925**	**24,158**	**83,698**	**122,069**

				Notional amounts by term to maturity	
	Positive fair value KD 000's	*Negative fair value KD 000's*	*Notional amount KD 000's*	*Within one year KD 000's*	*1 – 5 years KD 000's*
2019					
Derivatives held for trading:					
Forward foreign exchange contracts	70	-	27,436	27,436	-
Derivatives held as cash flow hedge:					
Interest rate swap	-	(186)	22,015	-	22,015
	70	(186)	49,451	27,436	22,015

26 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2020 KD 000's	*2019 KD 000's*
Letters of guarantee	**155,576**	157,106
Operating lease commitments	**3,579**	3,684
Capital commitments (Note below)*	**32,221**	60,704
	191,376	221,494

Future minimum rentals payable within one year under non-cancellable operating leases as at 31 December 2020 amounting to KD 3,579 thousand (2019: KD 3,684 thousand).

Included in letters of guarantee are bank guarantees of KD 30,651 thousand (2019: KD 30,651 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.

26 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

* 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 19.87% (2019: 19.87%) 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 15,662 thousand as on 31 December 2020 (2019: KD 37,224 thousand). In addition to the above, the Parent Company has also provided corporate guarantees for the Project amounting to KD 38,704 thousand (2019: KD 69,297 thousand) and an undertaking for the completion of the mall within an agreed timeframe.

Legal claims

(a) PCO Contract

From 2004 through 2008, the Parent Company performed a PCO Contract, which was a cost-plus-fixed-fee contract with the Coalition Provisional Authority ("CPA") for logistics services supporting reconstruction in Iraq, including warehousing, convoys and security.

On 23 April 2011, the Parent Company submitted a Certified Claim for approximately USD 47 million that the US Government owes the Parent Company in connection with the PCO Contract. The Contracting Officer denied the Parent Company's Certified Claim on 15 December 2011, and the Parent Company appealed the denial to the Armed Services Board of Contract Appeals ("ASBCA"). Separately, the US Government had claimed that the Parent Company owed USD 80 million in connection with the PCO Contract and sought repayment of the same. The Parent Company appealed the US Government's demand for repayment to the ASBCA and the appeals were consolidated.

On 26 August 2013, the US Government moved to dismiss the ASBCA appeals for lack of jurisdiction. The ASBCA granted the US Government's motion to dismiss on 9 December 2014. The Parent Company appealed to the U.S. Court of Appeals for the Federal Circuit on 8 April 2015. On 16 April 2018, a panel of the Federal Circuit affirmed the ASBCA's decision dismissing the Parent Company's appeals for lack of jurisdiction.

Following the Federal Circuit decision, on 21 September 2018, the Parent Company filed an amended complaint in a pending matter involving the PCO Contract in the Court of Federal Claims ("COFC"), seeking, among other things, a return of USD 17 million previously offset by the US Government (described further below), as well as a declaratory judgment that the US Government may not withhold amounts legally owed by the US Government to the Parent Company based on the Parent Company's purported debt under the PCO Contract. This matter was consolidated with the DDKS matter as detailed below.

As referenced above, the US Government offset USD 17 million from another contract held by the Parent Company (the DDKS contract), in connection with its purported claim related to the PCO contract (the "DDKS offset"). On 3 July 2017, the Parent Company submitted a Certified Claim under the DDKS contract, seeking payment of the DDKS offset plus interest. In a letter, on 1 September 2017, the Contracting Officer notified the Parent Company that she was holding its Certified Claim in abeyance. Following the Federal Circuit decision discussed above, the Parent Company filed a complaint seeking the return of the DDKS offset plus interest (the "DDKS Matter").

On 21 September 2018, the Parent Company filed an amended complaint in the DDKS Matter. On 3 December 2018, the Parent Company filed a Motion for Judgment on the Pleadings, as well as a motion to consolidate the DDKS matter with the still-pending COFC matter described above. On 6 December 2018, the court granted the Parent Company's motion to consolidate. On 17 December 2018, the US Government filed a Motion to Dismiss in the DDKS matter. On 28 December 2018, the Parent Company filed its reply to the US Government's motion. The reply of the US Government was filed on 14 February 2019 and a hearing was held on 28 February 2019. On 9 May 2019, the Court of Federal Claims issued an opinion granting judgment for the US Government in the amended PCO complaint and dismissed the DDKS Matter for lack of jurisdiction. The Parent Company appealed both decisions to the Federal Circuit on 14 May 2019, which the court then consolidated. The briefing of the appeal was completed on 16 September 2019 and the oral argument was heard on 5 February 2020.

On 12 August 2020, the Federal Circuit issued an opinion remanding the PCO complaint to the Court of Federal Claims for an evaluation of the merits of the US Government's offset determination as well as a determination of whether proper procedures were followed as required by law.

26 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(a) PCO Contract (continued)

On 31 August 2020, Agility sought panel rehearing on a minor, technical point, which the panel denied. On 18 September 2020, the US Government filed a motion seeking an extension of time to file a combined petition for panel rehearing and rehearing en banc until 12 November 2020. The Court granted that motion on 21 September 2020.

The US Government ultimately did not file a petition for panel rehearing or rehearing by 12 November 2020, and the following week, on 19 November 2020, the Federal Circuit issued the mandate remanding the matter to the Court of Federal Claims.

Once the matter was remanded to the Court of Federal Claims, the case was reassigned to a new judge who set a status conference for 17 December 2020. Prior to the status conference, counsel for the US Government reached out to counsel for the Parent Company to discuss a potential settlement in light of the remand from the Federal Circuit. Based on the conversation, the parties entered a joint status report requesting that the court stay the matter while the parties explore the possibility of a settlement. On 14 December 2020, the court granted the parties' request and ordered the matter be stayed until 17 May 2021.

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.

(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) ("GCS"), 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.

GCS appealed the above resolution at the Court of First Instance and the latter issued its judgment in favour of GCS 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.

GCS 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 GCS 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. On 7 May 2018, the experts committee issued a report affirming the Company's right for the claimed compensation. The case was heard before the Court of Cassation on 3 October 2018. On 23 January 2019, GCS filed its defence and the court adjourned the hearing until 13 February 2019 for the submission of comments by the Customs. During this hearing, the Customs' representative requested and was granted an extension until 6 March 2019. The case was reserved for the judgment on 1 May 2019 which was then postponed until 26 June 2019. Furthermore, the pronouncement of the judgment was extended until the hearing scheduled on 25 September 2019 during which, the court of cassation resolved to transfer the case to the Experts' Department and the case is being examined with the Experts' Department.

GCS 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 GCS. The Court of Appeal issued its judgment in favour of GCS in blocking the encashment of the bank guarantees in the possession of GAC. GAC filed an appeal against this decision of the Court of Appeal and the Court of Cassation dismissed the appeal.

In addition to the above, there are other legal disputes between GCS and GAC. Both the parties have filed various claims and counter claims that are 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.

26 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(c) Contract No. 157 on Phases 1, 2 and 3 for the South Amghara Plot

On 3 July 2018, PAI notified the Parent Company of its intention to terminate the above-mentioned lease alleging that it expired on 30 June 2018 and requested the Parent Company to deliver the plot to PAI. Based on a legal opinion from the Parent Company's external legal counsel, the notice of termination is in violation of the law and the Parent Company initiated the necessary legal actions by filing Claim No. 2587/2018 Commercial-General-Public /24, Claim No. 3686/2018 Commercial-General-Public and Claim No. 4522/2018 Commercial-General-Public demanding the appointment of an expert to opine on the implied renewal of the lease pursuant to the law. On 9 September 2018, Administrative Eviction Order No. (E. P. R./129/2018) was issued by PAI, which the Parent Company petitioned before the court via Petition No. 5600/2018 Administrative/12. The judgment was confirmed by virtue of Appeal No. 2276/2019 Administrative, Individual and Contracts/1 and the Parent Company appealed it before the Court of Cassation under No. 1886/2020 Administrative/1.

The Parent Company appealed the same order No. 129/2018 before the Commercial Circuit and on 25 April 2019, the Court of First Instance issued a judgment in claim No. 314/2019 against the Parent Company thereby terminating Allocation Contract No. 157 as of 30 June 2018, obliging the Parent Company to vacate the plot and allow PAI possession of it, and obliging the Parent Company to pay the proceeds of the plot as of 1 July 2018 equalling KD 80 per day until delivery of the plot. This judgment is not a final judgment. The Parent Company appealed the judgment demanding its reversal, denial of the claim and a declaration that the contractual relationship of Allocation Contract No. 157 is extended and renewed for another 20-year period beginning from 1 July 2018.

On 14 July 2019, the Court of Appeals issued an order suspending the Court of First Instance's judgment with respect of its expedited enforcement clause and adjourned the hearing of the appeal to 17 November 2019.

On 8 December 2019, the Parent Company's appeals were adjudicated; the Court of Appeals reversed the Court of First Instance's judgment in Claim No. 314/2019 and denied the claim because it was filed without standing and affirmed everything else in the appealed judgment. The outcome of the Court of Appeals' judgment allows the Parent Company to maintain possession of the plots for now, but the judgment is subject to appeal by the parties. The Parent Company has appealed this judgment before the Court of Cassation under Appeals No. 3900/2019, 186/2020, and 562/2020 Commercial Cassation/4, and the Public Authority for Industry has also appealed the same judgment before the Court of Cassation under Appeals No. 560 and 561/2020 Commercial Cassation/4. The Court of Cassation during the hearing on 15 October 2020 decided to accept the appeals and scheduled the hearing on 5 November 2020 during which it decided to further postpone the hearing to 18 February 2021.

The Parent Company also filed an injunction to temporarily stay the execution of the Court of First Instance's judgment in Claim No. 314/2019 pending the pronouncement of the Court of Appeals' judgment. On 2 September 2019, the injunction was granted thereby staying enforcement of the abovementioned judgment. PAI subsequently appealed the granting of the injunction. On 16 February 2020, the court of appeals pronounced a judgment dismissing the PAI appeal as well as the injunction on the basis of the above judgment given on 8 December 2019.

On 18 February 2021, the Court of Cassation pronounced its ruling on the above appeals in favour of PAI and obligated the Parent Company to hand over the land to PAI.

Based on the above ruling, a loss of KD 28,000 thousand has been recognised in the consolidated statement of income in respect of this property (Note 7).

(d) KGL Litigation

During the year ended 31 December 2012, the Parent Company and certain of its subsidiaries were named as defendants in civil lawsuits filed by Kuwait and Gulf Link Transport Company ("KGL") and its affiliates in three separate jurisdictions in the United States for certain alleged defamation and interference with KGL's contracts with the US Government by an alleged former employee of the Parent Company.

On 4 June 2018, following the completion of all discovery, the Parent Company filed a motion for summary judgment. On 6 July 2018, the court granted the Parent Company's motion and dismissed the complaint.

On 1 August 2018, KGL appealed the summary judgment to the Pennsylvania Superior Court. KGL filed its opening brief on 8 November 2018. The Group filed its response on 20 December 2018. KGL filed its reply on 17 January 2019 and its appendix for the appeal on 12 February 2019. The Parent Company filed its finalized brief on 25 February 2019, and KGL filed its finalized brief on 26 February 2019.

26 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)
(d) KGL Litigation (continued)
On 28 February 2019, the Superior Court denied KGL's motion to seal portions of the reproduced record. KGL filed a renewed motion to seal portions of the reproduced record on 7 March 2019. On 12 April 2019, the court granted KGL's motion and ordered KGL to file a redacted version of the reproduced record.

On 15 May 2019, the Superior Court scheduled oral argument in the appeal. The court heard oral argument on 26 June 2019. On 1 August 2019, the Superior Court issued a decision rejecting KGL's appeal. On 3 September 2019, KGL filed a petition for allowance to appeal in the Pennsylvania Supreme Court, requesting that the Supreme Court review the Superior Court's decision. The Parent Company filed its answer to the petition on 17 September 2019. On 20 February 2020, the Supreme court denied KGL's petition. KGL failed to file a petition for a writ of certiorari within the statutory deadline. As such, KGL's appellate rights in this matter are now extinguished and the matter is therefore successfully concluded in the Parent Company's favor.

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 consolidated financial statements.

27 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities 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:

2020	***Major shareholders KD 000's***	***Other related parties KD 000's***	***Total KD 000's***
Consolidated statement of income			
Revenues	**70**	**2,513**	**2,583**
General and administrative expenses	**(131)**	**(448)**	**(579)**
Share of results of associates and joint ventures	**(1,377)**	**2,052**	**675**
Interest income	**-**	**1,365**	**1,365**
Finance costs	**-**	**(60)**	**(60)**
Consolidated statement of financial position			
Investment in associates and joint ventures (Note 10)	**28,407**	**75,012**	**103,419**
Financial assets at fair value through profit or loss (Note 11)	**-**	**110,078**	**110,078**
Amounts due from related parties	**218**	**2,491**	**2,709**
Loans to related parties	**-**	**138,954**	**138,954**
Loan to an associate	**-**	**35,464**	**35,464**
Amounts due to related parties	**635**	**6,436**	**7,071**

2019	*Major shareholders KD 000's*	*Other related parties KD 000's*	*Total KD 000's*
Consolidated statement of income			
Revenues	86	2,175	2,261
General and administrative expenses	(44)	(372)	(416)
Share of results of associates and joint ventures	(1,720)	4,738	3,018
Interest income	-	7,340	7,340
Finance costs	-	(80)	(80)
Consolidated statement of financial position			
Investment in associates and joint ventures (Note 10)	29,783	71,569	101,352
Financial assets at fair value through profit or loss (Note 11)	-	109,183	109,183
Amounts due from related parties	86	2,945	3,031
Loan to a related party	-	98,732	98,732
Loan to an associate	-	35,259	35,259
Amounts due to related parties	371	8,014	8,385

27 RELATED PARTY TRANSACTIONS (continued)

Loans to related parties include KD 136,234 thousand (2019: KD 98,732 thousand) provided to a joint venture and represents amounts advanced by a subsidiary of the Group towards the construction and development of a Commercial Mall in UAE ("Project"). This amount bears compounded annual interest rates and can be converted to equity in the project on completion of construction subject to the project achieving certain operational targets.

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

	2020 ***KD 000's***	*2019* *KD 000's*
Short-term benefits	**4,062**	4,144

Short term benefits include discretionary bonus amounting to KD 2,417 thousand (2019: KD 2,725 thousand) awarded to key management personnel.

28 OPERATING SEGMENT INFORMATION

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

For management reporting purposes, the Group is organised into business units based on their products and services 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 real-estate, airplane ground handling and cleaning services, cargo and lounge management, customs operations and management, customs consulting, fuel logistics and waste recycling.

Year ended 31 December 2020	*Logistics and related services KD 000's*	*Infrastructure KD 000's*	*Adjustments and eliminations KD 000's*	***Total KD 000's***
Revenues				
External customers	1,222,624	398,077	-	**1,620,701**
Inter-segment	986	15,301	(16,287)	**-**
Total revenues	1,223,610	413,378	(16,287)	**1,620,701**
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	66,636	101,918	(6,200)	**162,354**
Depreciation				**(71,260)**
Amortisation				**(5,653)**
Profit before interest, taxation and Directors' remuneration (EBIT)				**85,441**
Interest income				**2,086**
Finance costs				**(23,531)**
Profit before taxation and Directors' remuneration				**63,996**
Taxation and Directors' remuneration				**(12,101)**
Profit for the year				**51,895**

28 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020	*Logistics and related services KD 000's*	*Infrastructure KD 000's*	*Adjustments and eliminations KD 000's*	***Total KD 000's***
Total assets	833,575	1,418,358	20,181	**2,272,114**
Total liabilities	436,808	1,096,591	(452,466)	**1,080,933**
Other disclosures:				
Goodwill (Note 9)	225,251	31,180	-	**256,431**
Intangible assets (Note 8)	3,879	16,063	-	**19,942**
Capital expenditure	(9,877)	(64,219)	(73)	**(74,169)**
Change in fair value of investment properties	-	(13,403)	-	**(13,403)**

Year ended 31 December 2019	*Logistics and related services KD 000's*	*Infrastructure KD 000's*	*Adjustments and eliminations KD 000's*	*Total KD 000's*
Revenues				
External customers	1,123,835	454,728	-	1,578,563
Inter-segment	731	14,974	(15,705)	-
Total revenues	1,124,566	469,702	(15,705)	1,578,563
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	58,634	134,748	(252)	193,130
Depreciation				(60,502)
Amortisation				(6,084)
Profit before interest, taxation and Directors' remuneration (EBIT)				126,544
Interest income				8,492
Finance costs				(21,494)
Profit before taxation and Directors' remuneration				113,542
Taxation and Directors' remuneration				(13,523)
Profit for the year				100,019
Total assets	781,030	1,340,689	(39,585)	2,082,134
Total liabilities	404,252	998,688	(470,376)	932,564
Other disclosures:				
Goodwill (Note 9)	222,903	31,104	-	254,007
Intangible assets (Note 8)	4,350	20,702	-	25,052
Capital expenditure	(17,152)	(49,849)	(692)	(67,693)
Change in fair value of investment properties	-	3,642	-	3,642

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

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

28 OPERATING SEGMENT INFORMATION (continued)

Disaggregated revenue information
The following presents the disaggregation of the Group's revenue from contracts with customers:

31 December 2020	*Logistics revenue KD 000's*	*Freight forwarding and project forwarding revenues KD 000's*	*Rental revenues KD 000's*	*Other services KD 000's*	***Total KD 000's***
Timing of revenue recognition					
Services performed at a point in time	127,408	45,025	-	184,128	**356,561**
Services performed over time	90,735	1,105,695	67,710	-	**1,264,140**
Total revenue from contracts with customers	**218,143**	**1,150,720**	**67,710**	**184,128**	**1,620,701**
Geographical markets					
Middle East	159,347	94,624	66,751	129,104	**449,826**
Europe	19,331	411,654	-	47	**431,032**
Asia	13,730	388,260	517	5,199	**407,706**
America	5,725	227,755	-	-	**233,480**
Africa	20,010	28,427	442	49,778	**98,657**
Total revenue from contracts with customers	**218,143**	**1,150,720**	**67,710**	**184,128**	**1,620,701**

31 December 2019	*Logistics revenue KD 000's*	*Freight forwarding and project forwarding revenues KD 000's*	*Rental revenues KD 000's*	*Other services KD 000's*	*Total KD 000's*
Timing of revenue recognition					
Services performed at a point in time	132,553	44,421	-	253,962	430,936
Services performed over time	76,401	1,000,620	70,606	-	1,147,627
Total revenue from contracts with customers	208,954	1,045,041	70,606	253,962	1,578,563
Geographical markets					
Middle East	138,954	78,827	69,787	169,844	457,412
Europe	22,974	377,455	-	147	400,576
Asia	18,505	334,876	504	7,546	361,431
America	3,382	224,021	-	-	227,403
Africa	25,139	29,862	315	76,425	131,741
Total revenue from contracts with customers	208,954	1,045,041	70,606	253,962	1,578,563

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

28 OPERATING SEGMENT INFORMATION (continued)

Other geographic information
The following presents information regarding the Group's non-current assets based on its geographical segments:

Non-current assets	***2020*** ***KD 000's***	*2019* *KD 000's*
Middle east	**937,795**	855,658
Asia	**222,602**	221,590
Europe	**73,447**	74,442
America	**38,734**	41,507
Africa	**55,748**	48,213
Unallocated	**17,780**	20,158
	1,346,106	1,261,568

Non-current assets for this purpose consists of property, plant and equipment, projects in progress, right-of-use assets, investment properties, intangible assets, goodwill, other non-current assets, loan to related parties and loan to 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 at fair value through other comprehensive income, 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.

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.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 loans to related parties.

Gross maximum exposure to credit risk

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

	2020 ***KD 000's***	*2019* *KD 000's*
Bank balances	**170,041**	130,932
Trade receivables	**365,556**	331,616
Loan to an associate *	**35,464**	35,259
Loans to related parties	**138,954**	98,732
Other assets *(excluding advances to suppliers and prepaid expenses)*	**45,358**	38,618
	755,373	635,157

* The Group management is unable to determine the recoverability of the loan to an associate.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

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. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

The Group performs an impairment analysis at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 14.

The table below provides information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2020	***Trade receivables***						
		Days past due					
	Current ***KD 000's***	***1 to 30 days*** ***KD 000's***	***31 to 60 days*** ***KD 000's***	***61 to 90 days*** ***KD 000's***	***91 to 120 days*** ***KD 000's***	***> 120 days*** ***KD 000's***	***Total*** ***KD 000's***
Estimated total gross carrying amount at default	**250,901**	**38,087**	**17,629**	**14,411**	**16,690**	**99,197**	**436,915**
Estimated credit loss							**71,359**
Expected credit loss rate							**16.33%**

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Trade receivables (continued)

31 December 2019	*Trade receivables*						
		Days past due					
	Current KD 000's	*1 to 30 days KD 000's*	*31 to 60 days KD 000's*	*61 to 90 days KD 000's*	*91 to 120 days KD 000's*	*> 120 days KD 000's*	*Total KD 000's*
Estimated total gross carrying amount at default	246,135	48,799	16,129	6,815	8,588	71,015	397,481
Estimated credit loss							65,865
Expected credit loss rate							16.57%

Cash and cash equivalents
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 consolidated statement of financial position at 31 December 2020 and 31 December 2019 is the carrying amounts at the reporting date.

The Group limits its exposure to credit risk by only placing funds with counterparties with appropriate credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

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***	***More than 1 year KD 000's***	***Total KD 000's***
2020					
Interest bearing loans	**3,008**	**6,017**	**27,072**	**390,174**	**426,271**
Lease liabilities	**3,163**	**9,517**	**25,645**	**191,589**	**229,914**
Trade and other payables	**39,714**	**79,428**	**357,425**	**-**	**476,567**
Dividends payable	**-**	**-**	**8,306**	**-**	**8,306**
Other non-current liabilities	**-**	**-**	**-**	**12,054**	**12,054**
Total financial liabilities	**45,885**	**94,962**	**418,448**	**593,817**	**1,153,112**

Financial liabilities	*Less than 1 month KD 000's*	*1 to 3 months KD 000's*	*3 to 12 months KD 000's*	*More than 1 year KD 000's*	*Total KD 000's*
2019					
Interest bearing loans	2,025	4,051	18,229	321,904	346,209
Lease liabilities	3,673	7,602	29,020	172,489	212,784
Trade and other payables	36,811	71,980	313,422	-	422,213
Dividends payable	-	-	8,143	-	8,143
Other non-current liabilities	-	-	-	12,708	12,708
Total financial liabilities	42,509	83,633	368,814	507,101	1,002,057

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 risk 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 2020 and 31 December 2019.

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

Interest rate risk

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

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

Interest rate sensitivity

Based on the Group's financial assets and liabilities held at the year end, an assumed 50 basis points 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	
	2020 KD 000's	*2019 KD 000's*
	±1,565	±1,329

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***	
	2020 KD 000's	*2019 KD 000's*	***2020 KD 000's***	*2019 KD 000's*
US Dollars	**±1,980**	±1,535	**±3**	±3

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)
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 effect on Group's results (as a result of a change in the fair value of financial assets at fair value through profit or loss) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2020		*2019*	
	Change in equity price % (+ / -)	***Effect on profit (+ / -) KD 000's***	Change in equity price % (+ / -)	*Effect on profit (+ / -)* ***KD 000's***
Outside Kuwait	**5**	**1,720**	5	-

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

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

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:

2020	***Level 1 KD'000***	***Level 2 KD'000***	***Level 3 KD'000***	***Total fair value KD'000***
Financial assets measured at fair value through profit or loss				
Investment in an associate	**-**	**-**	**110,078**	**110,078**
Quoted equity securities	**34,405**	**-**	**-**	**34,405**
Convertible loan	**-**	**-**	**607**	**607**
Unquoted equity securities	**-**	**-**	**21**	**21**
Investment in funds	**-**	**2,297**	**-**	**2,297**
Loans to related parties	**-**	**-**	**138,954**	**138,954**
Loan to an associate	**-**	**-**	**35,464**	**35,464**
	34,405	**2,297**	**285,124**	**321,826**

30 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

2020	***Level 1 KD'000***	***Level 2 KD'000***	***Level 3 KD'000***	***Total fair value KD'000***
Financial assets measured at fair value through other comprehensive income				
Unquoted equity securities	**-**	**-**	**13,746**	**13,746**
Derivative financial assets:				
Forward foreign exchange contracts	**-**	**11**	**-**	**11**
Interest rate swaps	**-**	**(2,011)**	**-**	**(2,011)**
	-	**(2,000)**	**-**	**(2,000)**
	34,405	**297**	**298,870**	**333,572**

2019	*Level 2 KD'000*	*Level 3 KD'000*	*Total fair value KD'000*
Financial assets measured at fair value through profit or loss			
Investment in an associate	-	109,183	109,183
Unquoted equity securities	-	104	104
Investment in funds	2,861	-	2,861
Loan to a related party	-	98,732	98,732
Loan to an associate	-	35,259	35,259
	2,861	243,278	246,139
Financial assets measured at fair value through other comprehensive income			
Unquoted equity securities	-	15,856	15,856
Derivative financial assets:			
Forward foreign exchange contracts	70	-	70
Interest rate swaps	(186)	-	(186)
	(116)	-	(116)
	2,745	259,134	261,879

There were no transfers between the hierarchies during 2020 and 2019.

The following table below shows a reconciliation of the opening and the closing amount of level 3 financial assets measured at fair value:

	2020 KD'000	*2019 KD'000*
As at 1 January	**259,134**	201,877
Change in fair value recognised in consolidated statement of income	**-**	(132)
Re-measurement recognised in other comprehensive income	**4,883**	(291)
Others including net additions (sales) and transfer	**34,853**	57,680
As at 31 December	**298,870**	259,134

30 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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 and loan to associate:
The Group's management was unable to determine the fair value of the investment in an associate and loan to associate as at 31 December 2020 due to certain inherent uncertainties and accordingly these assets are carried at its fair value as at 31 December 2013 (Note 11).

Financial assets at fair value through other comprehensive income:
Fair values of financial assets classified as fair value through other comprehensive income are determined using valuation techniques that are not based on observable market prices or rates. The impact on the consolidated statement of comprehensive income would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

Loan to related parties
The debt instrument has been valued based on the residual land value of the investee's major asset, using the discounted cash flow method. The most significant unobservable inputs used in the fair value measurements include the exit date and discount rate.

31 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

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.

	2020 ***KD 000's***	*2019* *KD 000's*
Interest bearing loans	**355,382**	270,856
Bank balances, cash and deposits	**(170,041)**	(130,932)
Net Debt	**185,341**	139,924
Equity attributable to the equity holders of the Parent Company	**1,143,006**	1,100,380
Non-controlling interests	**48,175**	49,190
Capital	**1,191,181**	1,149,570
Gearing	**15.56%**	12.17%

32 RISK MANAGEMENT DISCLOSURES – UPDATE ON COVID-19

The recent spread of the coronavirus ("COVID-19") across various geographies globally, which was declared a pandemic by the World Health Organization, has caused disruption to business and economic activities. The fiscal and monetary authorities around the world, including Kuwait, have announced various support measures across the globe to counter the possible adverse implications of COVID-19. This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 December 2020.

(i) Credit risk management
The management of the Group has taken several measures to manage its risk associated with the pandemic, including identification of the most vulnerable sectors primarily affected and placing added measures to ensure a high level of scrutiny.

32 RISK MANAGEMENT DISCLOSURES – UPDATE ON COVID-19 (continued)

The uncertainties caused by COVID-19 required the Group to consider the impact of higher volatility in the forward-looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at 31 December 2020. For its international operations, the Group updated the relevant forward-looking information relating to the macroeconomic environment used to determine the likelihood of credit losses, relative to the economic climate of the respective market in which they operate.

(ii) Liquidity risk management
In response to the COVID 19 outbreak, the Group is closely evaluating its liquidity and funding position and taking appropriate actions. The Group will continue to assess its liquidity position by closely monitoring its cash flows and forecasts.

(iii) Fair value measurement of financial instruments
The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represents the price that would be achieved for transactions between market participants in the current scenario. Further information on the Group's policy in relation to fair value measurements is disclosed in Note 2.5.

(iv) Fair value measurement of non-financial instruments (Property, plant and equipment, right of use assets, investment properties, Investment in associates and joint ventures)
As at the reporting date, the Group has not identified significant impact on the carrying values of its non-financial assets due to the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2020. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial statement.

For the valuation of investment properties, the market disruption caused by the COVID-19 pandemic resulted in a reduction in transactional evidence and market yields, and accordingly, there is an increased risk that the price realised in an actual transaction would differ from the value conclusion arrived by the valuers. The highly uncertain economic outlook for the period may have a material adverse effect on the tenants' operations, the viability of their business and their ability to meet their rental obligations. This uncertainty is factored into the valuation of investment property, specifically in estimating rent payments from existing tenants, the void periods, occupancy rates, expected market rental growth rates and the discount rate, all of which are significant inputs into the fair value determination. As a result of this increased uncertainty, the assumptions may be revised significantly in 2021.

(v) Impairment of Goodwill
The Group has performed a reassessment for the recoverable amount of goodwill, considering the impact of COVID-19 on the entities operating in the transportation and logistics sector, by revisiting the assumptions and cash flows projections. As a result of the exercise, management has concluded that no impairment provision is considered necessary in the consolidated statement of income for the year ended 31 December 2020.

The existing and anticipated effects of the outbreak of COVID-19 on the global economy and financial markets is expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group's financial performance, cash flows and financial position in the future. The Group will continue to monitor the market outlook and update its assumptions and forecasts as that may have a substantial impact on the consolidated financial statement in the future.