

Annual Report

2020

Agility Public Warehousing Company K.S.C.P

And Subsidiaries



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Board of Directors

Henadi Anwar Al-Saleh

Chairperson

Tarek Abdulaziz Sultan Al-Essa

Vice Chairman

Sultan Anwar Al-Essa

Board Member

Ahmed Hamad Al-Thunayan

Board Member

Naser Mohammed Al-Rashed

Board Member

Faisal Jameel Al-Essa

Board Member

Essam Musaed Al-Mailam

Board Member



CEO's Message

Dear Shareholders,

We would like to welcome you to our annual meeting of the General assembly and present Agility's annual report, in which we discuss Agility's financial performance and operational achievements for the financial year ended December 31, 2020.

2020 was a challenging year for most businesses around the world, including Agility. Our company moved swiftly to adjust its cost structure to match the reality confronting each part of the business, while at the same time making sure to preserve our long-term strategic vision and ongoing support for our communities around the world.

We are proud of the steps we took to keep our front-line workers safe, and keep cargo moving for our customers in the face of one of the greatest supply chain disruptions the world has ever seen. We also stayed committed to ongoing pro-bono support for government, humanitarian, and education partners that are coping with the global pandemic.

Agility must remain agile, flexible and ready to adjust to ongoing global economic uncertainty in 2021. Our goal is not only to weather the storm, but to emerge stronger than ever from this crisis.

When it comes to future investments, Agility is prioritizing critical initiatives such as:

- Gearing up the company's Life Sciences capabilities for distribution of vaccines, therapeutics, medical equipment and related products.
- Making strategic bets on emerging technologies and companies that Agility believes will reshape supply chains, including Agility's online logistics, last-mile and e-commerce portfolio, through its Shipa group of companies.
- Boosting its sustainability and ESG initiatives and partnerships, including efforts to reduce fleet emissions, improve energy efficiency in logistics facilities, and work in partnership with customers.

Financially, Agility reported 2020 net profit of KD 41.6 million, or 21.73 fils per share, a decrease of 52.1% from 2019. Revenue for the year reached KD 1.6 billion, an increase of 2.7%, and EBITDA reached KD 162.4 million, a decrease of 15.9%. The 2020 results include one-time expenses related to restructuring that took place in response to the COVID-19 pandemic for KD 12.5 million and KD 28 million expense associated with the loss of Amghara land. Before accounting for those expenses, Agility would have reported a 5.1% growth in EBITDA on a full-year basis.

Agility has a healthy balance sheet and is able to meet its liquidity requirements. Local, regional and international banks have recently extended the company $1.1 billion in 3 and 5 year credit facilities. In addition, the company's focus on working capital management across the board in the midst of tough market conditions has yielded positive results. Operating cash flow for the year was KD 177.8 million, a 17.3% increase over 2019.

Board of Directors Recommendation

Agility's Board of Directors has recommended a cash dividend distribution of 10% (10 fils per share), along with 10% bonus shares (10 shares for every 100 shares), subject to approval of the General Assembly.

Agility Global Integrated Logistics (GIL)

We have seen a significant improvement in GIL's performance for 2020. This was driven by favourable market conditions in Air Freight and Contract logistics, coupled with a strong focus on cash and cost. GIL grew overall in 2020, despite challenges in other areas within the business, like Ocean Freight, Fairs & Events, and Project logistics, and the net restructuring charges of KD 12.5 million resulting from cost-cutting initiatives we took during the year. We are optimistic about the future of that business and its ability to create value for our shareholders. Our optimism is reinforced by the strong performance we continue to see in the first couple of months of 2021, as net revenue and EBIT continue to grow.

GIL's full-year 2020 EBITDA was KD 66.6 million. Positive momentum for Air Freight and Contract Logistics was complemented by a strong focus on containing costs and driving operational efficiency throughout the organization. That led to full- year EBITDA growth of 13.6% vs. 2019. Excluding restructuring one-time expenses, EBITDA grew 35% vs. 2019.

GIL's 2020 full-year net revenue was KD 283.7 million, a 3.8% increase compared with 2019. Net revenue grew in Contract Logistics and Air Freight, while declined in Ocean Freight and Fairs & Events.

Volumes declined in both Air Freight and Ocean Freight in 2020 by 15.6% in Air Freight (tonnage) and 12% in Ocean Freight (TEUs), as a result of COVID-19's impact on demand and economic contraction across industries and geographies. However, higher yields in Air Freight, driven by continued demand for exceptional shipments, including many for Life Sciences customers and products, offset the decline in volume. Air Freight net revenue grew 31.4% vs. prior year.

In 2020, Contract Logistics posted 12.2% net revenue growth, mainly as a result of strong performance in the Middle East (specifically, Kuwait, Saudi Arabia, Abu Dhabi) and Asia-Pacific (Australasia and Indonesia). Fairs & Events results remain the most affected by the pandemic because of widespread event postponements and cancelations.

GIL's 2020 gross revenue was KD 1,223.6 million, an 8.8% increase from 2019.

GIL continues to focus on cost containment and operational efficiency in line with its strategic objectives. GIL's is working to increasingly digitize and automate its processes to enhance customer and supplier connectivity, create innovative customer solutions, and enable comprehensive business insight to support optimal decision-making.

Agility's Infrastructure Companies

For full year 2020, Infrastructure group's EBITDA declined 24.4%, and revenue fell 12%. COVID-19 had an uneven impact on the Infrastructure companies. Entities operating in the aviation sector were significantly hit, whereas others were resilient and reported growth during the same period.

Agility Logistics Parks (ALP) reported 5.4% revenue growth for the year, driven by increased demand for warehousing capacity from customers mainly in Kuwait and Saudi Arabia. In Africa, Mozambique and Cote d'Ivoire, operations came online, joining the existing Ghana operation as part of Agility's Africa expansion strategy. Despite construction disruption due to COVID-19, ALP was able to deliver 62k sqm of new space in Saudi Arabia and 18k sqm in Africa. ALP kicked off construction of a 26k sqm facility in Kuwait on an expedited basis. ALP is looking for opportunities to expand its land bank in new and existing countries where it operates.

Tristar, a fully integrated liquid logistics company, posted an 11.9% revenue decrease for 2020, primarily due to lower international fuel prices, reduced commercial fuel volumes, lack of mobilization revenue realized in 2019, and the impact of the pandemic on road transport. Tristar's Maritime segment reported an increase in revenue from deployment of new vessels and favourable market charter rates.

Despite lower revenues, Tristar reported an EBITDA increase over 2019, reflecting higher earnings from the Maritime segment, where increases in vessel fleet and market charter rates offset lower earnings from the Fuel segment.

Tristar continues to advance its growth strategy. It took delivery of six vessels for long-term charter contracts with Shell. Tristar also introduced Cryogenic Gas transportation in Saudi Arabia. It is in the final phase of an airport fuel system in Uganda and continues to optimize Road Transport and Warehousing (RTW) contracts in the U.A.E. Today, Tristar has operations in 21 countries and territories across 3 continents, and over 2,000 road transport assets and 35 maritime vessels. It operates 69 fuel farms and over 100 remote fuel sites, providing a wide spectrum of integrated service offerings.

National Aviation Services (NAS) reported a 38.9% drop in revenue in 2020, despite a record January-February. The remainder of 2020 was defined by the COVID-19 pandemic, which forced a near-complete suspension of air passenger traffic for the bulk of the year. All of NAS's major airports experienced closure to international traffic for at least some part of the year. NAS's lounge business was hardest hit, followed by passenger services. Through the year, the industry witnessed a passenger traffic drop of 80% on average, while cargo volume dropped by an average of 15% - the largest- ever drop in air cargo.

Although patchy, NAS is witnessing a slow revival in air travel in its key markets. NAS remains optimistic that it is well positioned to take advantage of a recovery and to resume its strong growth once things start to normalize.

United Projects for Aviation Services Company (UPAC), reported a 2020 revenue decrease of 49.9%, primarily due to the suspension of operations at the Kuwait International Airport and the continuation of travel restrictions imposed as a result of the pandemic. The Kuwait operation is starting to show signs of recovery as UPAC continues to take various measures to reduce the negative impact on its business.

Construction of Reem Mall in Abu Dhabi was more than 75% complete as of December 2020. Located on Reem Island, the mall will include 2 million square feet of retail, leisure, dining, and entertainment choices. It will feature the region's first fully integrated omni-channel retail ecosystem with fully enabled digital, e-commerce and logistics capabilities. Reem Mall will be home to the world's largest snow play park, Snow Abu Dhabi. With a national vaccination program well underway in the UAE, the economy there is reopening. The resumption of consumer activity and movement, coupled with the unique positioning of the Reem Mall as an entertainment and digital destination, makes the company optimistic about the future performance of that investment.

GCS, Agility's customs modernization company, posted 22.9% decline in revenue in 2020. The decline was the result of COVID's negative impact on trade and goods flow.

GCS, like the other entities within the group, took measures to reduce the impact of the pandemic on its business. GCS is in the process of exploring different opportunities in customs modernization and diversification of its income sources.

Finally, Agility remains committed to driving shareholder value and achieving its vision. We will continue to remain true to our name, and be flexible and proactive as we navigate through COVID-19 and beyond. As always, we thank our employees, our customers, our shareholders, our suppliers and our partners for their support – this year more than ever.



Tarek Abdulaziz Sultan Al-Essa
Vice Chairman and CEO



Financial Highlights

Financial Highlights

Revenue

2020 **1,621 KD Mn**

EBITDA

2020 **162 KD Mn**

EPS

2020 **21.73 Fils**

Operating Cash Flow

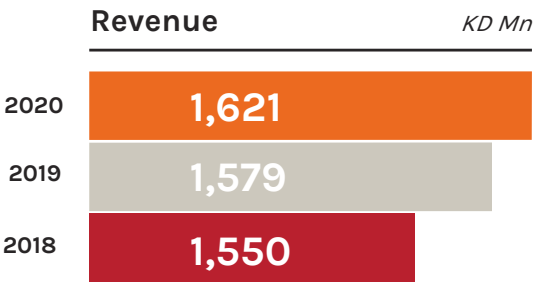
2020 **178 KD Mn**

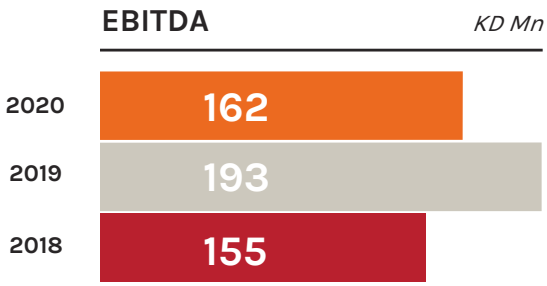
Total Assets

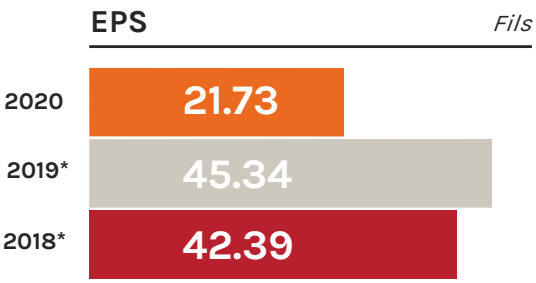
2020 **2,272 KD Mn**

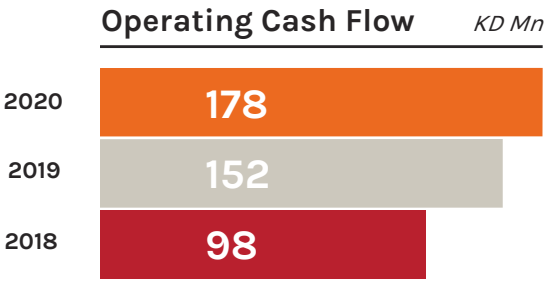
Equity attributable to Shareholders of the parent

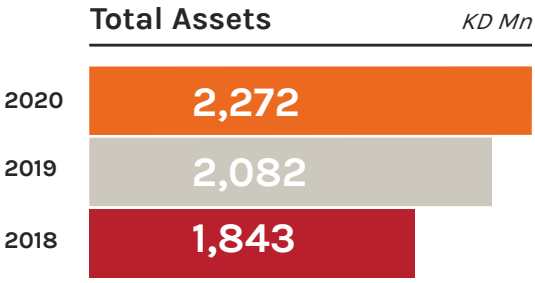
2020 **1,143 KD Mn**

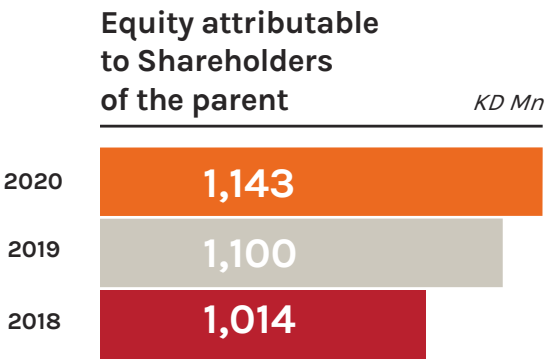

Revenue
KD Mn
2020
1,621
2019
1,579
2018
1,550


EBITDA
KD Mn
2020
162
2019
193
2018
155


EPS
Fils
2020
21.73
2019*
45.34
2018*
42.39


Operating Cash Flow
KD Mn
2020
178
2019
152
2018
98

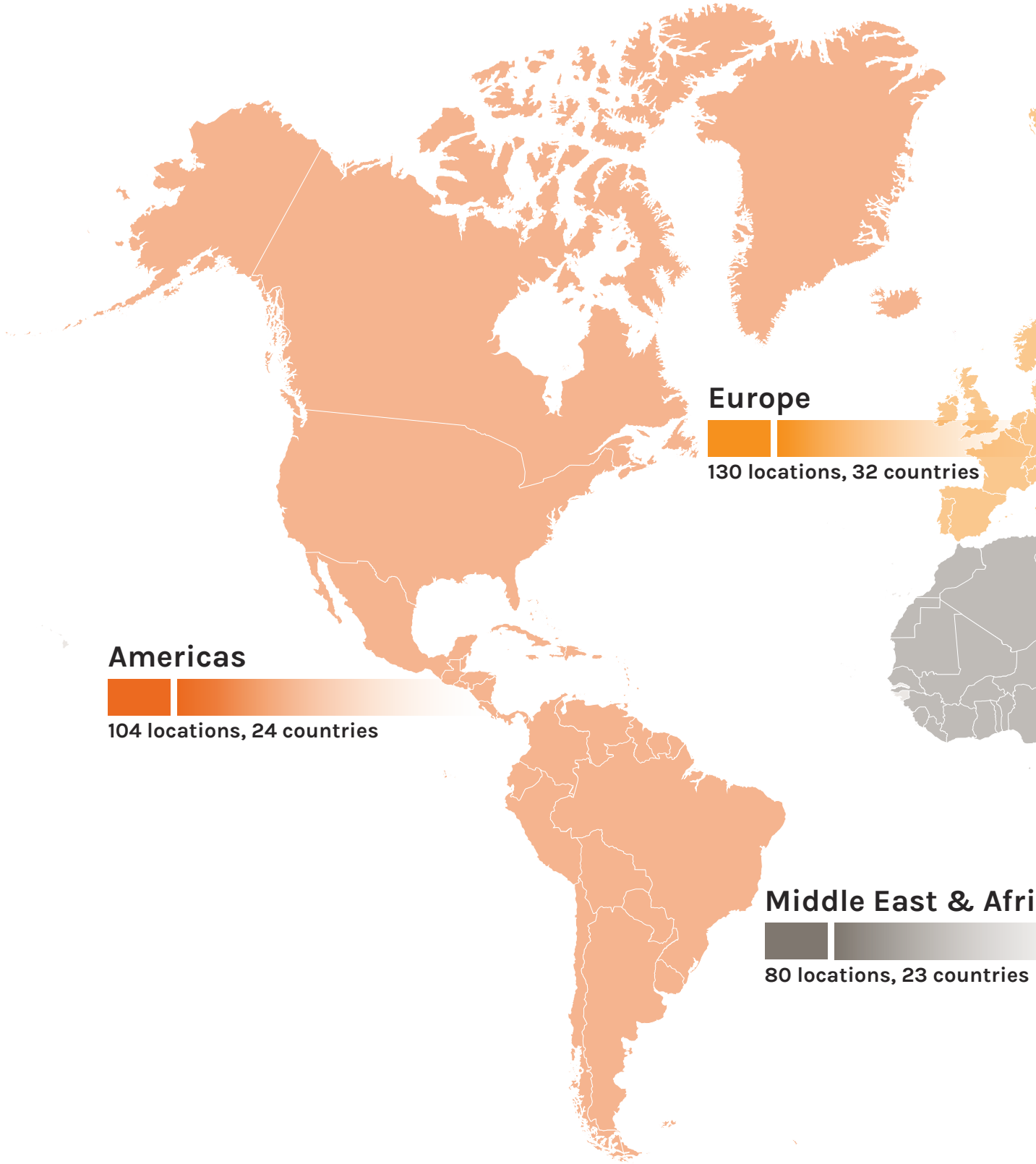

Total Assets
KD Mn
2020
2,272
2019
2,082
2018
1,843

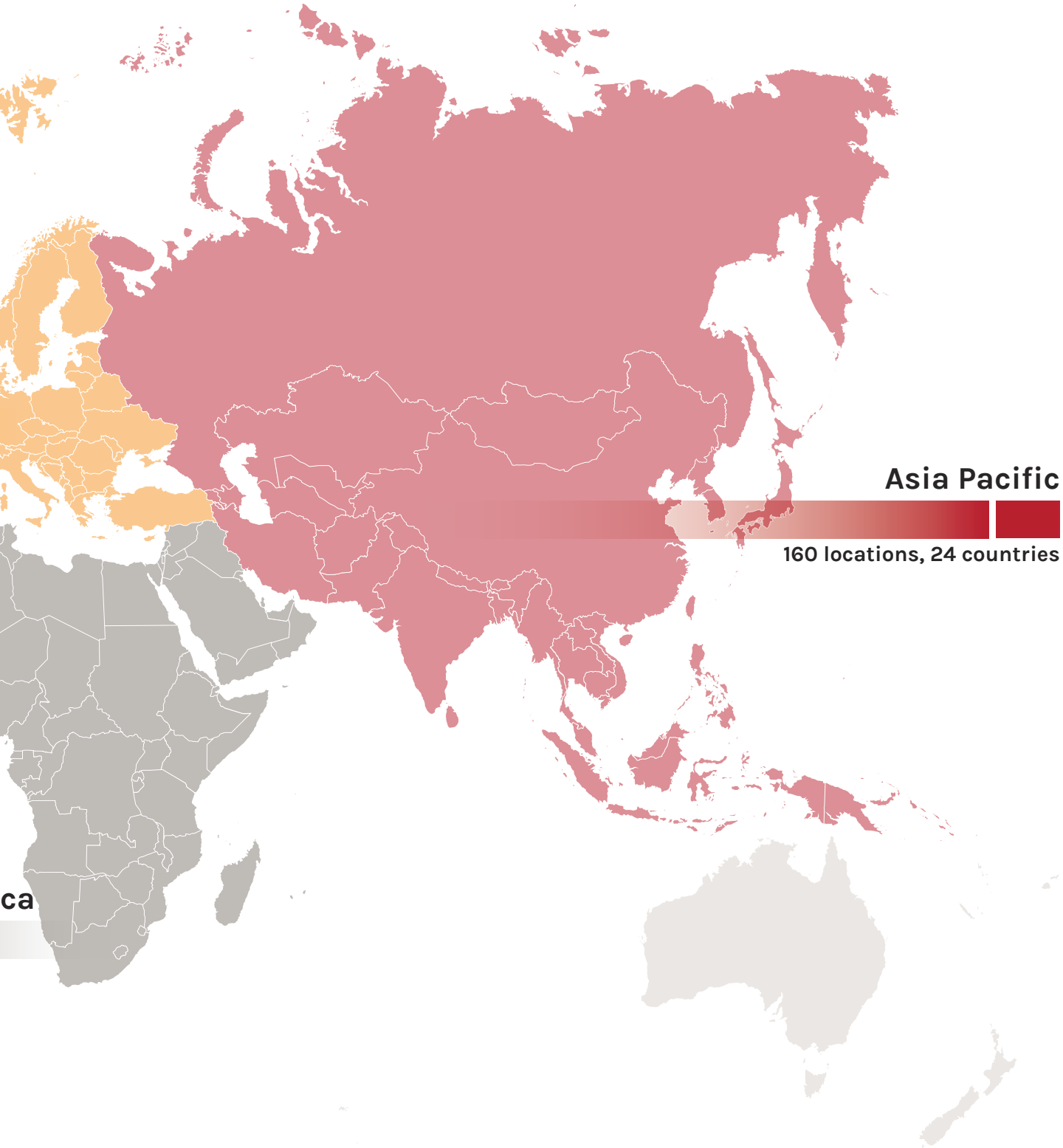

Equity attributable
to Shareholders
of the parent
KD Mn
2020
1,143
2019
1,100
2018
1,014

** Restated*



Geographic Presence


Europe
130 locations, 32 countries
Americas
104 locations, 24 countries
Middle East & Afri
80 locations, 23 countries


Asia Pacific
160 locations, 24 countries
ca



Social Responsibility and Sustainability

PERFORMANCE HIGHLIGHTS



SUSTAINABILITY GAINS IN A GLOBAL PANDEMIC

RATED TOP 4% of our industry for overall sustainability performance by Ecovadis (Silver)

FTSE4GOOD INDEX inclusion for strong ESG performance

60+ countries across Agility's network reported real-time data on changing air, ocean and road freight capacity on an online platform accessed by 300,000+ businesses and humanitarian partners

PROTECT OUR PEOPLE

88% of operations have ISO 18001/45001 certification for health and safety

90% of emerging markets have undertaken a 3rd party audit for human rights



18% reduction in health and safety incidents between 2019 and 2020

25% of our workforce engaged in online training

SUPPORT HUMANITARIAN LOGISTICS AND REFUGEES

80+ major emergency humanitarian response operations since 2006

40+ truckloads of relief supplies delivered to thousands of vulnerable migrant workers in lockdown areas with the Kuwait Red Crescent

13+ medical centers run by the International Medical Corps in Beirut stocked with 2 months-worth of supplies after a devastating explosion

150,000 bars of soap delivered across Indonesia with one of the world's largest children charities

CARE FOR OUR COMMUNITIES

560,000 students to benefit from a life skills and financial education program in partnership with Aflatoun, to be delivered by NGO partners in 25 countries

12,000 refugees in Malaysia will have easier access to essential services from UNHCR

3,000+ students supported in digital learning projects in 23 countries



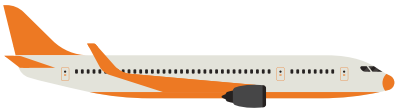
BUILD GREENER SUPPLY CHAINS

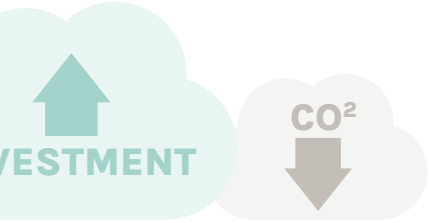
600,000 shipments are covered by customer CO^2 reports, using a methodology certified by Carbon Trust

78% of operations have ISO 14001 certification for environmental management

10+ megawatt peak of solar energy capacity planned or installed

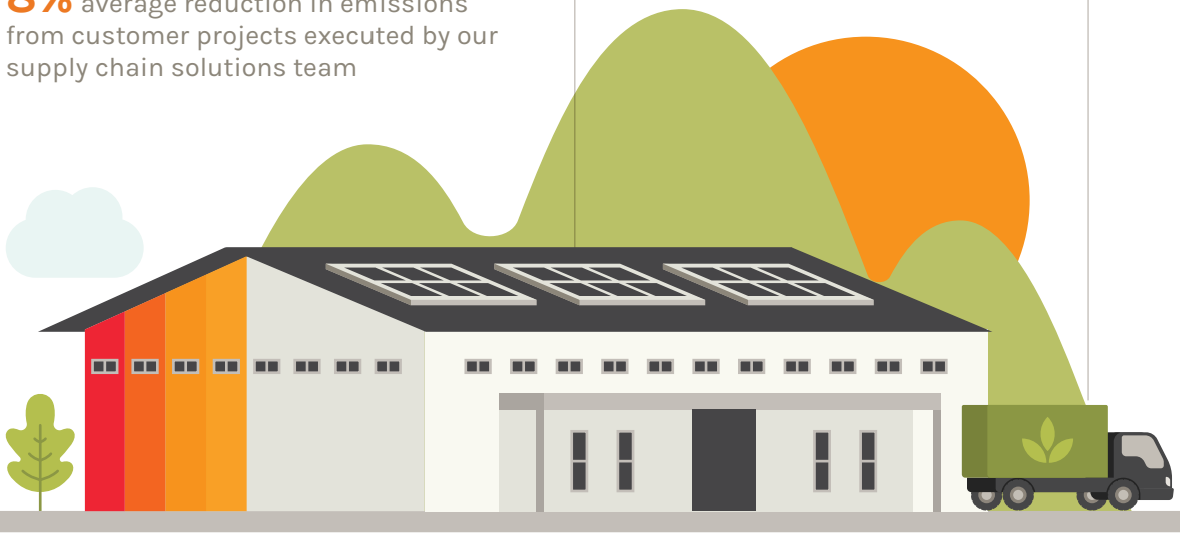
8% average reduction in emissions from customer projects executed by our supply chain solutions team





INVEST FOR THE FUTURE

$94M in ESG investments, solar, and sustainable transport companies



SUSTAINABLE PROCUREMENT

100% of new suppliers required to sign Supplier Code of Conduct

77% of our top ocean carriers are Clean Cargo Working Group members, like Agility

58% of our air shipments are with carriers that engage with us on sustainability, either through SAFA or Ecovadis





Materiality and Strategy

Awards and Certifications

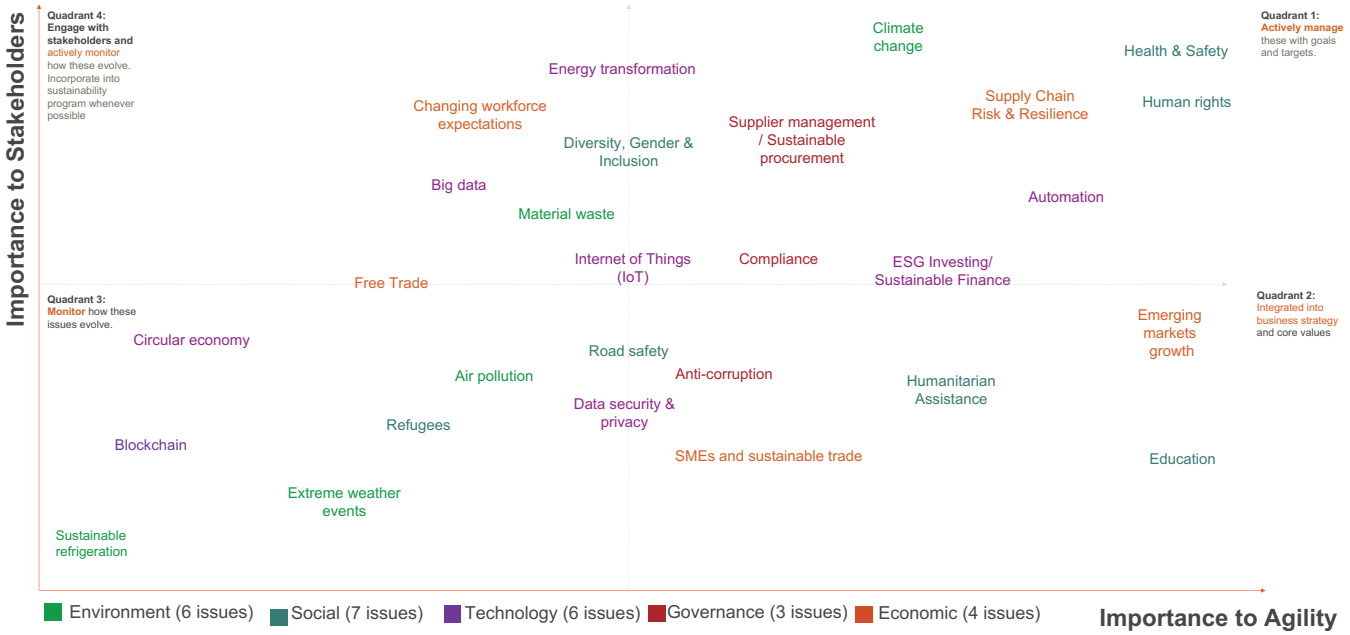
Ecovadis
Top 4% in our industry for overall performance and 10% of all companies overall.

FTSE4Good
Recognized for strong ESG performance in a global index spanning 20 emerging markets

ISO Certifications
88% of our workforce is covered by health and safety standards, 84% by quality standards, and 78% for environmental management. (ISO18001, ISO 45001, ISO 19001, ISO 14001)

Agility Materiality Matrix 2021

Sustainability issues that are most important to Agility are organized into the matrix below. A full explanation of each topic and how Agility is managing it can be found in the annex of this report.



Stakeholder Engagement

More than 1,200 stakeholders were engaged as part of our materiality exercise in Q4 2019. Senior leadership reviewed and updated the matrix in 2021 to account for changes to the world and to our business that were accelerated by COVID-19.

- Employees
- Customers
- Shareholders and institutional investors
- Strategic suppliers
- Government and public sector partners
- NGO partners

Sustainability Management Framework

This is our strategic framework for embedding sustainability into our business and our culture.

Putting people first

EMPLOYEES

- Zero health and safety incidents
- Respect human rights across the supply chain
- Empower a diverse workforce

OUR COMMUNITIES

- Enable customers to make greener choices
- Support supply chain partners for success in a low-carbon future
- Invest in emerging green technologies

Greener logistics

GREENER OPERATIONS

- Reduce environmental impact through efficiency measures and innovation
- Embed the sustainability factor in every aspect of our performance

GREENER SUPPLY CHAINS

- Enable customers to make greener choices
- Support supply chain partners for success in a low-carbon future
- Invest in emerging green technologies

Sustainable trade

INFRASTRUCTURE INVESTMENT IN EMERGING MARKETS

- Build high-quality warehousing and industrial infrastructure for trade competitiveness across the Middle East, Asia and Africa

CONNECTING SMALL AND MEDIUM-SIZED BUSINESSES TO THE GLOBAL ECONOMY

- Level the playing field for all businesses through innovative logistics solutions

Enabled by digital transformation

Support for Sustainable Development Goals

UN Global Compact Signatory



Agility is committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, the environment and anti-corruption.

SDGs Supported by Agility



The Sustainable Development Goals (SDGs), set by the United Nations General Assembly in 2015, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Agility contributes to several SDGs across a number of our sustainability activities.

Agility's Sustainability Partnerships

Agility engages with a number of industry and global organizations to learn from others, collaborate on complex topics, and ultimately, multiply our contributions. We believe multi-stakeholder engagement is essential to driving a more sustainable future for our business and our industry.

Humanitarian Partnerships

Logistics Emergency Teams
Logistics Cluster
WFP World Food Programme
UNHCR The UN Refugee Agency

World Economic Forum Initiatives

World Economic Forum
Partnership Against Corruption Initiative (PACI)
Pandemic Supply Chain Network
Getting to Zero Coalition
Shaping the Future of Trade and Global Economic Interdependence
Road Freight Zero
Global Alliance for Trade Facilitation

Environment

Global Maritime Forum
Sustainable Air Freight Alliance
clean CARGO

2020 In-country Community and Humanitarian Partnerships

In addition to our global engagements, Agility also partners at the country level with a number of community and humanitarian organizations on a variety of initiatives.

Country	Organization
Australia	Australian Red Cross
Bangladesh	Gulshan Literacy Program
Brazil	Mão Amiga
Colombia	Fundacion Nueva Vida para Todos
Ghana	Oiada
India	St. Joseph's Night School, Seed Foundation, Pathway Foundation, Kukanoor Village School
Kuwait	LOYAC, Red Crescent Society
Lebanon	International Health Partners, International Medical Corps
Mozambique	PLeDGE Health
Pakistan	The Citizen's Foundation (TCF)
Philippines	Philippines Red Cross
Sri Lanka	Sri Lankan Army
Uganda	Ministry of Health
USA	Paralyzed Veterans of America, St. Jude Children's Hospital, UN World Food Program



For more: https://sustainability.agility.com/community/community-investments/



Making a difference through our business and operations

Supply Chain Resilience During COVID-19

COVID-19: The greatest supply chain disruption of our time

COVID-19 was a global health care crisis, an economic crisis, and also a supply chain crisis, with serious disruptions to the flow of cargo caused by widespread flight cancellations, road border closures, and a global container shortage towards the end of 2020. In this context, supply chain resilience was a critical issue for our customers and our government and humanitarian partners.

Air Freight



Global air cargo capacity was down **75% in early April 2020***, a result of widespread passenger flight cancellations. By the end of December, capacity was still **20% lower** than the same period last year.

Ocean Freight



Blank sailings increased and equipment imbalances resulted. Q4: China container shortage leads to rate increase of **150-300%** on major trade lanes.

Managing Service Disruption with Data

Agility built an online platform that provided real-time operational updates from 60+ countries on air and ocean freight capacity. This site was used extensively by customers as well as humanitarian partners, and cross-linked on the UN Logistics Cluster website.



Country-level updates across 60+ countries, focusing on ocean, air and road capacity, border closures and domestic restrictions.

Website accessed 150,000+ times per month at height of crisis, and continues to be used heavily today. More than **400+ Agility employees around the world** contribute information to keep information up to date.



Interactive maps covering air, ocean, and road freight helped commercial and humanitarian stakeholders visualize capacity.

Supporting our Customers to Keep Essential Cargo Moving

In addition to the pro bono support provided to our humanitarian partners, Agility is working closely with customers on moving PPE, medical equipment, vaccine logistics and more – ensuring that global supply chains remain resilient throughout this crisis.

Ireland



Moved 45 tons of PPE from China, including masks, gloves, goggles and ventilators.

Saudi Arabia



Centralized storage & created 27,000 pallet positions for stocks of strategic inventory

China



Delivered 2,000 tons of medical supplies to Switzerland, despite massive congestion in Shanghai

Turkey



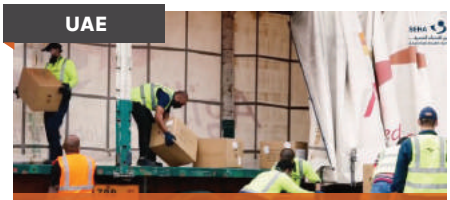
Delivered 118+ tons of medical equipment to two newly built hospitals in Turkey

Italy



Shipped 23 tons of glass vials from Italy to Brazil during the peak of the pandemic

UAE



Secured PPEs and medical equipment for the UAE Health Authority in 20 days

Case Study: Transporting COVID-19 Vaccines into Indonesia



Agility managed the urgent movement of 1.2 million doses of COVID-19 vaccine into Indonesia, securing a charter flight and equipment availability in just one and a half days following final approval for the shipment by regulatory authorities at origin and destination. Agility used RAP e2 air cargo Envirotainers to ensure that the vaccine was maintained at +2C to +8C during transit, and coordinated with ground transportation and security personnel who escorted the shipment on arrival.

Empowering SMEs to move their business online

Small businesses have historically been under-represented in global trade

SMEs account for two-thirds of all jobs around the world, but less than a third of the world's exports.

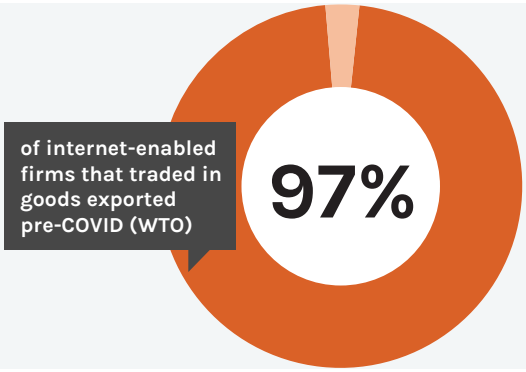
95%
of all firms are SMEs

67%
Of all jobs are attributed to SMEs

BUT

<30%
Of global exports involve SMEs

This is changing. Technology is leveling the playing field



COVID-19
is further accelerating these trends

Ecommerce Growth has Surged
Ecommerce has grown more in 2020 than in the last ten years combined (McKinsey). Although SMEs have disproportionately been impacted by COVID-19, there are also a record number of new registrations for online businesses.

(Source: World Trade Organization)

Agility is Helping Build the SME Ecosystem in the Middle East



Training and development on digital, via our data hackathons
Agility has leveraged its partnership with MIT Media Labs to bring two data hackathons to Kuwait, in partnership with the KFAS and other government entities. These hackathons trained over 200 young people in using data to solve real-world business challenges. In 2020, the data hackathon was conducted virtually due to COVID-19 restrictions.



Our partnership with the Kuwait Fund for SME Development
In Kuwait, Agility has been working with the Kuwait National Fund for SME Development to give small businesses access to industrial spaces in our Logistics Parks. In 2020, Agility additionally partnered with the National Fund to create a campaign around e-commerce to help small businesses move their business online in the face of national lockdowns. The goal was to train SMEs on e-commerce using our toolkits and an opportunity to partner for a free trial with one of the region's biggest digital store-front companies.



Proposed digital incubator for SMEs in UAE
Agility has leveraged its partnership with MIT Media Labs to bring two data hackathons to Kuwait, in partnership with the KFAS and other government entities. These hackathons trained over 200 young people in using data to solve real-world business challenges. In 2020, the data hackathon was conducted virtually due to COVID-19 restrictions.

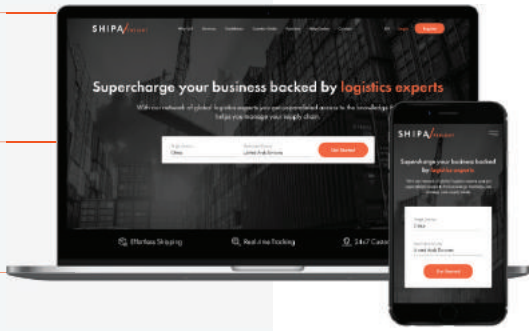
Agility has committed to investing $100m in SME enablement

Through its digital logistics platform, Shipa

Freight
Real-time freight rates across thousands of tradelanes for businesses who need to ship by air or ocean.

E-Commerce
Flexible logistics solutions for merchants who sell online; with powerful digital integration

Last-Mile Delivery
Across the Middle East



..and other companies

India
End-to-end cross-border solutions for e-commerce in multiple international marketplaces

Cairo
An e-commerce enabler allowing entrepreneurs & small business to build online stores quickly

Brazil
Shared economy road freight platform

Saudi Arabia
A digital trucking marketplace

Road Freight Platforms

Building world-class logistics infrastructure in emerging markets

Our Agility Logistics Parks footprint extended further across the Middle East and Africa in 2020



In 2020, Africa, Mozambique and Cote d'Ivoire operations came online, joining the existing Ghana operation as part of Agility's Africa expansion strategy. Despite construction disruption due to COVID, ALP also delivered around 60,000 sqm of new space in Saudi Arabia and 18,000 sqm in Africa. Agility Logistics Parks bring world-class logistics infrastructure to emerging markets, particularly critical when it comes to the storage of food, medications, technological devices, and other high-value, perishable, or temperature-sensitive items.



Making a difference for our people

Health and Safety

ISO Certifications

Agility's Quality, Heath, Safety, Security, and Environment (QHSSE) program is based around ISO standards and compliance. Our certifications in core categories of health and safety, quality, and environmental management today cover more than 78% of global headcount. Progress was driven by Asia Pacific regional certifications covering 87 sites.

Certificate Name	% of global GIL headcount covered		Percentage point increase
	2019	2020	
ISO 14001 - Environmental Management	47%	78%	Up 31
ISO 45001/18001 - Health & Safety	60%	88%	Up 28
ISO 9001 - Quality	43%	84%	Up 41
ISO 27001 – Information Security	100% of data centers globally		
ISO 23301 – Business Continuity	100% data centers globally		

Download the full list of ISO certifications: https://sustainability.agility.com/wp-content/uploads/2021/02/ISO-Certifications-Feb-18-2021.pdf

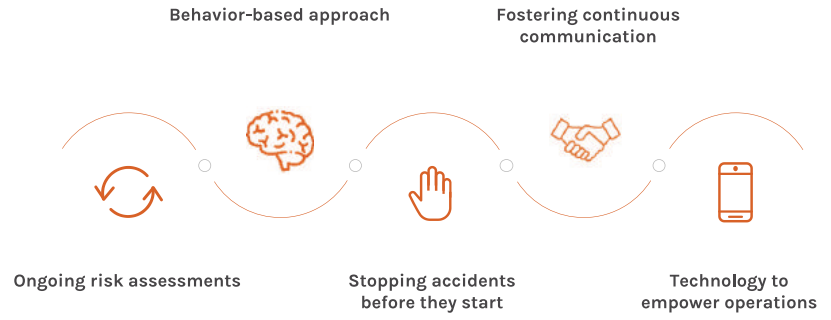
Health and Safety

Our Health and Safety Goal

Our goal is zero health and safety incidents.

TARGET ZERO

Our approach to living a Health and Safety culture



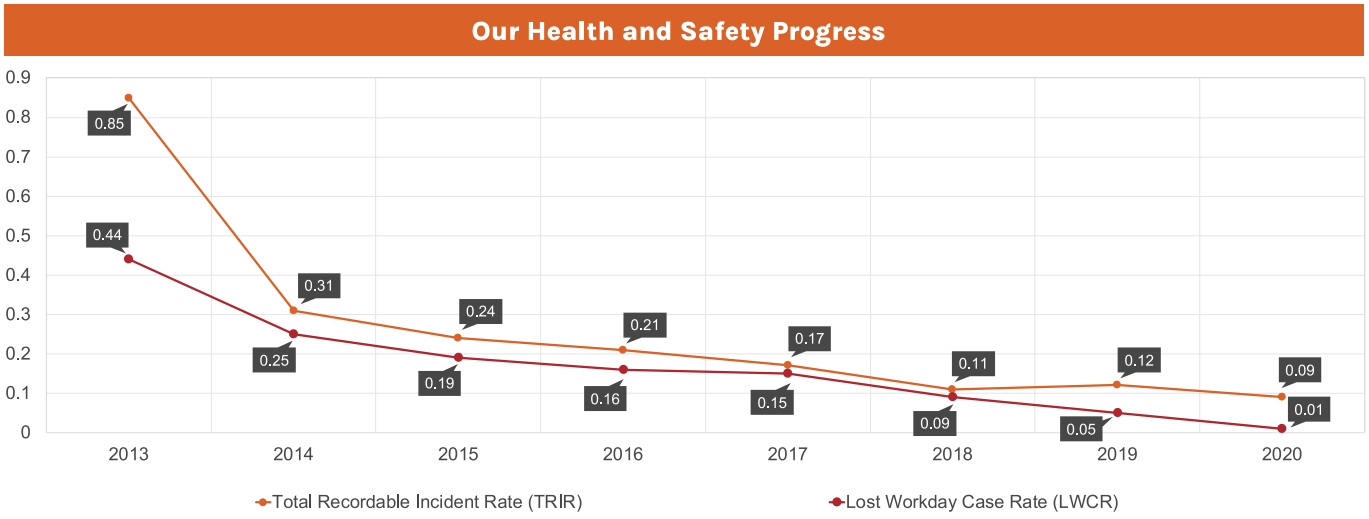
Using Technology to Drive a Safety Culture



Agility has developed mobile apps for employees to easily report health and safety incidents, for operations teams to manage facilities inspections, and more.

Our Health and Safety Progress

Agility has a strong track record for health and safety, with one of the lowest recordable incident rates in our industry. In 2020, we increased our emphasis on health and safety for front-line workers due to the global pandemic.



COVID-19 Spotlight: Safeguarding health, safety and wellness during a global pandemic

Logistics is an essential industry, and our operational teams worked throughout 2020 to keep cargo moving. Agility ramped up efforts to keep our front-line workers safe, and enable remote workers to stay engaged and productive.



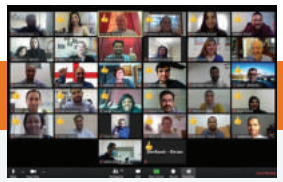
95% of our office-based staff transitioned to a work-from-home model. IT issues 8,000+VPNs in two weeks.



Rigorous health & safety standards implemented for our frontline workers around the world.



Temperature tracing and contact app launched – using technology to keep our employees safe.



Virtual engagement across all of our offices keep our people connected.

For more: https://logisticsinsights.agility.com/COVID19/our-approach/

Fair Labor

Respecting Human Rights across the Supply Chain

The Agility Fair Labor Program embeds respect for human rights into our organization, ensuring that all employees know their rights and how to exercise them. Driven from the highest leadership in the business, the program includes a comprehensive Global Human Rights Policy, training, implementation tools, performance measurement and reporting. This commitment is a long-standing one of more than a decade in the making (the program started in 2007).

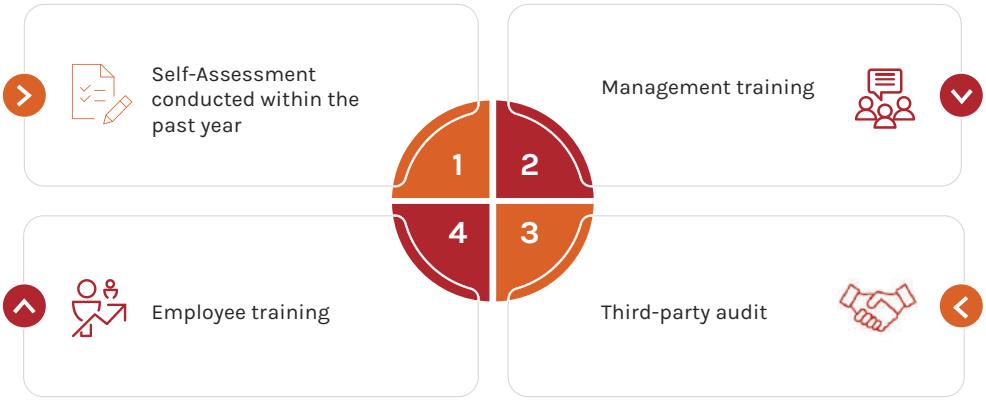
High Standards

Agility's Fair Labor promise is enshrined in our Global Human Right Policy and Modern Slavery Statement



A Four-Step Process to Drive Cultural Change

How it works



Our Fair Labor Progress

Our goals for human rights are based on assessing risk, building awareness, and ensuring accountability. We strive for 100% of our operations to have undertaken human rights risk assessments; 100% of our employees and management to have undertaken human rights training, and 100% of our largest emerging markets operations to have undertaken a third-party audit.

2020 Progress against Goals

By percentage of our headcount covered



Fair Labor Progress by Country

Progress by Region

Asia & the Pacific

Reporting Country	Self-Assessment conducted w/n the past year	Management Training Conducted	Employee Roll-Out Completed	Audit Completed
Australia	●	●		
Bangladesh	●	●	●	● 2018
China	●	●	●	● 2019
Hong Kong	●	●	●	● 2019
India	●	●	●	● 2018
Indonesia	●	●	●	● 2018
Japan	●			
Malaysia	●	●	●	● 2018
Pakistan	●	●	●	● 2018
Philippines	●	●	●	● 2018
Papa New Guinea	●			
Singapore	●	●	●	● 2019
South Korea	●			● 2019
Taiwan	●			
Thailand	●	●	●	● 2018
Vietnam	●	●	●	● 2019

Middle East & Africa

Reporting Country	Self-Assessment conducted w/n the past year	Management Training Conducted	Employee Roll-Out Completed	Audit Completed*
Algeria				
Bahrain	●	●	●	● 2020
Egypt	●	●	●	● 2020
Iraq				
Jordan		●	●	
Kenya	●	●		● 2020
Kuwait	●	●	●	● 2019
Lebanon	●	●	●	● 2018
Oman	●	●		● 2020
Saudi Arabia	●	●	●	
South Africa	●	●	●	
Turkey	●	●	●	● 2020
UAE (Abu Dhabi)	●	●	●	● 2020
UAE (Dubai)	●	●		● 2019

- Audits are repeated every three years.
- Japan, South Korea and Taiwan are currently excluded from employee training and audit requirements due to the strength of national labor regulations.

2020 Fair Labor spotlight

Improved Risk Assessments

In 2020, we conducted a thorough risk assessment, categorizing countries into high, medium and low-risk based on external factors, the size of operations, and implementation of the Fair Labor program.

Raised Standards

A multi-stakeholder engagement process led to the implementation of new policies with higher standards for:

- Supplier fair labor practices
- Worker accommodations, to account for COVID-19 physical distancing space requirements
- Overtime management

Engaged with country leadership on execution

Each of our largest emerging markets operations' most senior leadership engaged with the regional Quality, HR and Sustainability teams to agree on human rights actions, and address any issues.

Diversity, Gender and Inclusion

Agility's Approach to Inclusion

Embrace Local Roots

Agility employees hail from 120+ countries. We take pride in being a global company that looks and feels local in 100+ countries. Our workforce reflects our emerging markets leadership, with over 84% of our people working in the Middle East, Africa and Asia. A majority of our leadership are from the countries they manage.

Promote Gender Inclusiveness

The logistics industry has historically been male-dominated, particularly when it comes to operational roles in warehousing and road freight. We believe that this only makes it even more important for Agility to promote a culture of gender inclusiveness at all levels of the business. Today, 25% percent of our management is female in our core logistics business and 14% of our external Board of Directors.

Develop Local Talent

In many emerging markets, particularly in the Middle East, youth employment is one of the most important development challenges. Agility has a strong focus on youth and education in our community outreach program. Across the Middle East, we provide on-the-job training programs to build the skills of young nationals.

Women in Management at Agility

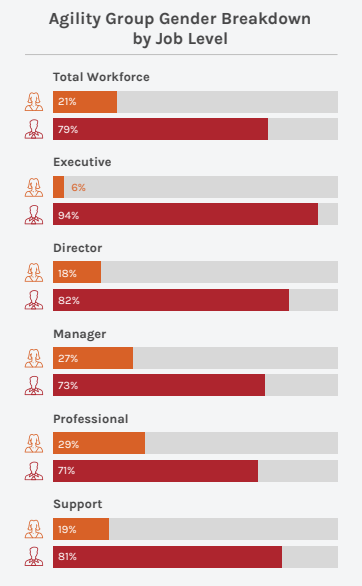
Women in Logistics

Agility faces a challenging industry and geographic context when it comes to gender participation. According to the World Bank, 104 countries around the world have laws that prevent women from working in some jobs, and in many emerging economies, this includes certain jobs in transporting goods, particularly at night. Beyond regulations, there are often cultural taboos associated with women working in warehouses or driving trucks in some parts of the world.

Times are changing. More women are pursuing advance degrees in logistics, in our increasingly digitized industry. Agility is working to recognize and foster female talent, and has achieved women participation levels that are on par with other companies in the industrial sector, with about 25% of overall management being female.

Board Roles

Agility's Chairperson of the Board of Directors is a woman, which is notable given that 85% of publicly-listed companies in the Arabian Gulf (where Agility is listed) have no women on the board, and only 5% have any women on senior management teams*.



Country Operations with Female Management Above 40%

Asia has the strongest representation of women in management in our business.

Markets with ~40% Women in management



For more: https://sustainability.agility.com/our-people/diversity/

Gender by Region and Function

By Region

The MEA region, which also has the higher number of operational headcount, has the fewest women as a percent of headcount. In all other regions, participation ranges from one-third (Asia) to near gender parity (Americas).

Employee Gender Breakdown by Region

Women		Men
9%	Middle East & Africa	91%
31%	Asia Pacific	69%
49%	The Americas	51%
42%	Europe	58%
21%	Worldwide	79%

By Role

IT, Quality, and Operations have the lowest rates of female participation. Finance and Sales and Commercial, have the highest, all over 40%.

Gender by Function

Women		Men
12%	Administration	88%
44%	Finance	56%
14%	IT	86%
24%	Operations	76%
18%	Quality	82%
41%	Sales & Commercial	59%

Our Diversity and Inclusion Progress

We understand that the diversity and inclusion covers a broader scope than gender issues alone. However, we are starting our journey by looking at the issue of gender inclusiveness, with a view to building a pipeline for senior leadership roles. In 2021 we will focus on:



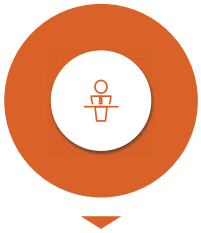
Measuring Performance

We empower countries with real-time data on their gender ratios, including new hires, through a a gender dashboard that shows % of women in management, by function, by country, and by region.



Hiring Talent

We will make all efforts to interview women for every position and wherever possible, will include a women leader as part of the hiring process.



Building Pipeline

We are measuring the percentage of women in leadership and development training programs to build a pipeline of future management talent.

Workforce by Age

Youth Employment in the Middle East

Youth employment is one of the most critical social and economic priorities in emerging markets across the world. The MENA region has the highest rate of youth unemployment in the world at 25%. Across multiple countries in the region, Agility has programs in place to encourage recruitment of nationals and to provide on-the-job-training.

Agility's Workforce by Age

Agility's workforce reflects the larger demographic trends of the countries in which it operates.

2020 Employee Age Breakdown by Region

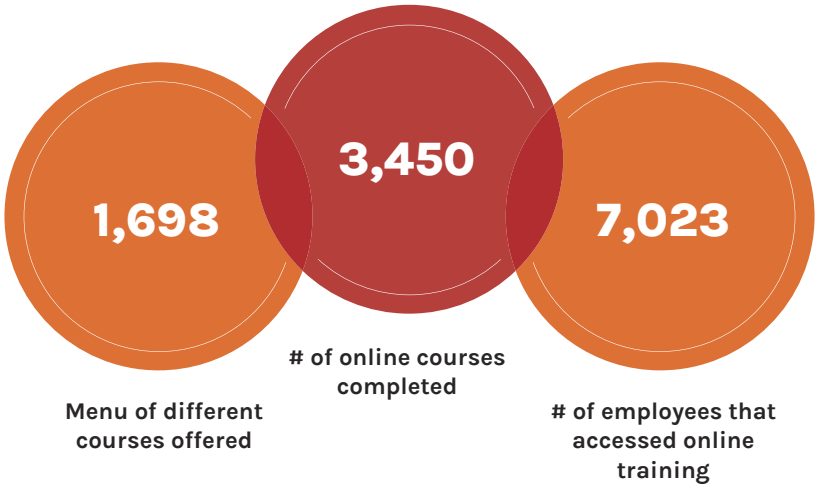
Region	Under 30	30-50	50+	Not Identified	Total
Middle East & Africa	24%	65%	11%	0%	57%
Asia Pacific	30%	60%	10%	0%	27%
The Americas	20%	54%	25%	1%	6%
Europe	7%	30%	17%	46%	10%
Worldwide	23%	60%	12%	5%	100%

Learning and Development

A learning culture is essential in a world that is rapidly changing. Agility's people development programs take two main tracks:

1. Online training accessible on-demand by all employees
2. Leadership development courses that use team-based, project work that drive the company's change management and strategy agenda.

7,000 Employees Accessed Online Training in 2020



Menu of different courses offered

of online courses completed

of employees that accessed online training



Making a difference for our environment

Environment

Agility's Three-Pronged Environmental Strategy

Agility's approach is to green our own operations, green the supply chain in partnership with our customers and suppliers, and invest in companies championing green technologies that will reshape the future of our industry.

Work with customers and suppliers to address outsourced emissions
96% of total CO2 footprint

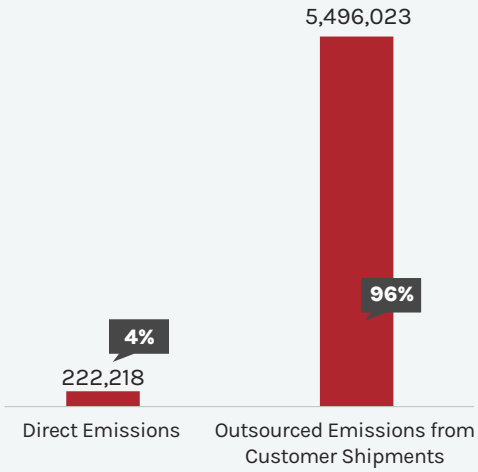


Green our operations to address direct emissions
4% of total CO2 Footprint

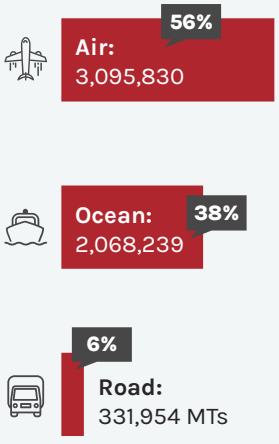
Invest in innovation
Green-tech is a core pillar of our investment strategy, with ≈ $94 million invested to date

Agility GIL Carbon Footprint

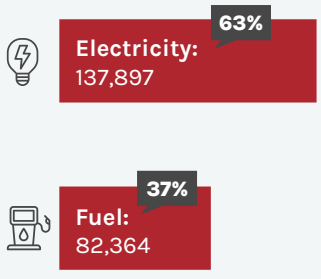
Direct Vs Outsourced Emissions
In MTs CO2e



Outsourced Emissions by Source
In MTs CO2e



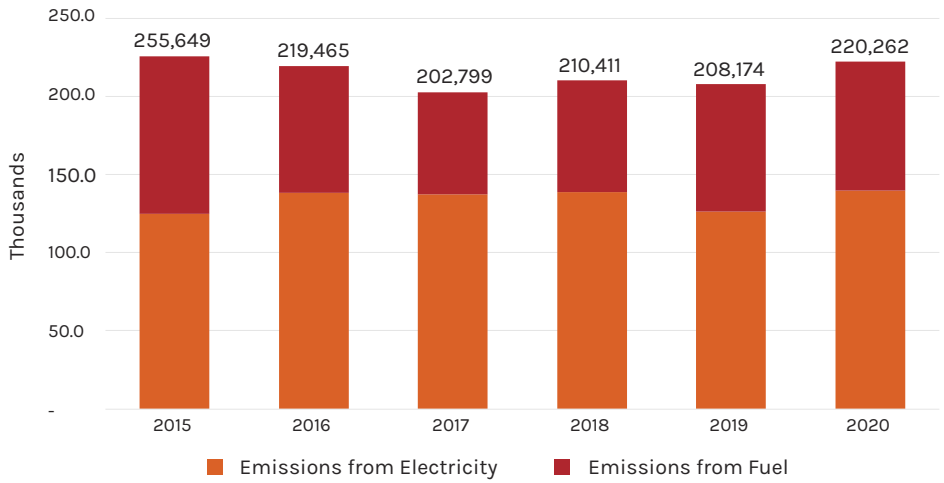
Direct Emissions by Source
In MTs CO2e



Greener Operations

Our Goal: Reduce GIL Direct Emissions by 25% by 2025 against a 2016 baseline

Agility Direct Emissions 2015 - 2020
from warehouses and trucks operated by GIL
in metric tons of CO2e



Our Direct Carbon Footprint

Our direct carbon footprint comes from the electricity we use to power our warehouses and the fuel we use to drive our trucks. We do our best to minimize our impact and drive innovation for improved environmental performance.

Our Emissions Footprint +6%

Why our emissions increased in 2020:

- Improvements in the accuracy and comprehensiveness of the data that we are collecting
- Expansion of operations in the Middle East, including chilled and frozen warehousing space for storage of pharmaceuticals

Progress Towards Driving CO2 Reduction

ISO 14001 Framework

The majority of our operations have an Environmental Management System

78% operations are ISO 14001 certified

This means:

- A commitment to operate in an environmentally sound way, compliant with all legal regulations
- Identification of all material environmental impacts
- A plan in place to reduce negative environmental impacts
- internal audits ensure accountability to achieve targets

Emissions Data Management

We believe in empowering our managers with real-time data. Improving and automating reporting has been a key push in 2020.

99% of operations reporting fuel and electricity consumption

- Resource Consumption App allows us to track electricity, fuel, waste and water usage across 500+ locations.
- Real-time CO2 dashboards are provided to country operation
- Initiative to integrate sustainability data collection into financial reporting systems for more accurate reporting has kicked off
- Ongoing installation of smart meters in Kuwait, one of our largest operations worldwide, will further automate data collection

Progress Towards Driving CO2 Reduction (Continued)

Renewables

Existing and planned energy use reduction and renewable sourcing projects are expected to reduce our global emissions from electricity by between 8 and 10% in the coming year.

- **8+ megawatts of clean power in the Middle East** — Solar projects in Dubai and Jordan will cut Agility's regional carbon footprint by 5% (planned 2021)
- **2+ megawatt solar installation in Singapore** — 6,000 solar panels will generate more electricity than Agility needs, with the extra going to the grid (2019)
- **300 kilowatt solar installation in India** — Solar PV installation in India will cut electricity costs by >50% (commissioned Dec. 2020)
- **100% renewable sourcing in Spain**
  - All facilities in Agility Spain souring renewable energy using renewable energy credits (RECs)
  - 11,000 sqm new build Barcelona warehouse aims to achieve LEED Gold green building certification

Fleet Efficiency

Fuel currently accounts for 37% of our direct emissions, with the majority of the fleets in emerging markets that do not yet have mature infrastructure.

- **5% reduction in fuel emissions in the UAE**
  Agility UAE emissions account for 40% of all fuel emissions. Agility is driving down fuel consumption by:
  - A fleet management system (Microtransport) that tracks vehicle performance and fuel efficiency, driver behavior, and shipment weight.
  - Extensive, third-party training for drivers
  - Becoming the first logistics company in Abu Dhabi licensed to operate double trailers, which will reduce fuel usage by ~26% per container
- **Up to 1,000 truck pre-order of Hyliion fully electric powertrain trucks**
  The Hypertruck ERX produces electricity locally at roughly 30 percent less than the average grid cost, which yields a seven-year cost-of-ownership unmatched by any diesel, battery-electric (BEV) or hydrogen fuel-cell (FCEV) Class 8 truck under development.

Our 2020 Waste Management Progress

Waste management data proves to be ongoing challenge.

Agility operates 500+ locations around the world. Major operations report if they are recycling, and many report volumes recycled and volumes of waste, by type. However, further clarification and verification on types of waste and units of measure are needed before we can report a comprehensive waste and recycling footprint.

2020 water footprint

- 237 million liters
- 38 countries,
- 76% of headcount

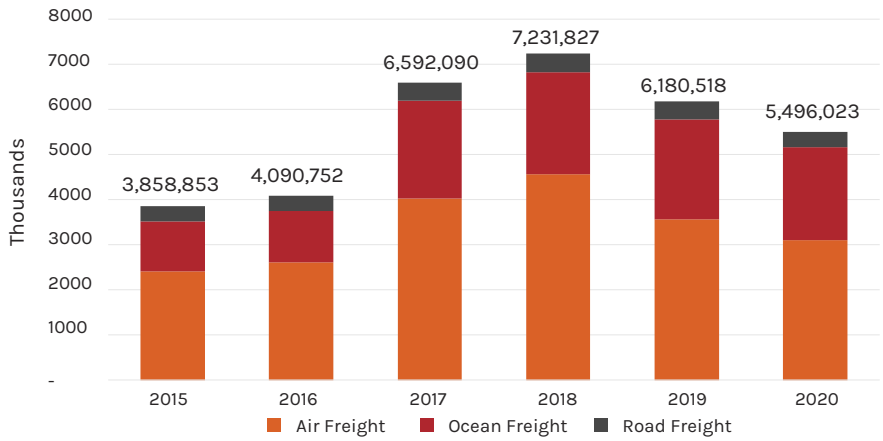
Our material waste streams

Type	2020 progress
Paper	17 million+ trade-related documents are processed digitally through Agility's document management system each year, saving an estimated 1,700 trees annually.
Wood waste (pallets)	Over 56% of our operations are recycling pallets and wood waste. Pallet reuse is widespread due to cost drivers.
Packaging	Over 83% of headcount report recycling paper and plastic packaging waste
Metals	Over 73% of operations by headcount are recycling metals.
Tires	Agility used an estimated 2,800 tires for its largest fleets, of which about 40% were recycled.
Office waste	As part of Agility's Waste-Free campaign, offices in India, Brazil, Italy, Singapore, the US and Australia are eliminating single-use plastics like water bottles, paper coffee cups, and other materials.

Working with Customers

Outsourced Emissions

Agility Outsourced Emissions 2015 - 2020
from shipments coordinated by GIL
in metric tons of CO2e



Our Outsourced Carbon Footprint

- Customer air, ocean and road freight shipments outsourced to carriers account for 96% of Agility's overall carbon footprint
- This makes customer and suppliers partnerships one of the most critical levers we have to drive sustainability outcomes.

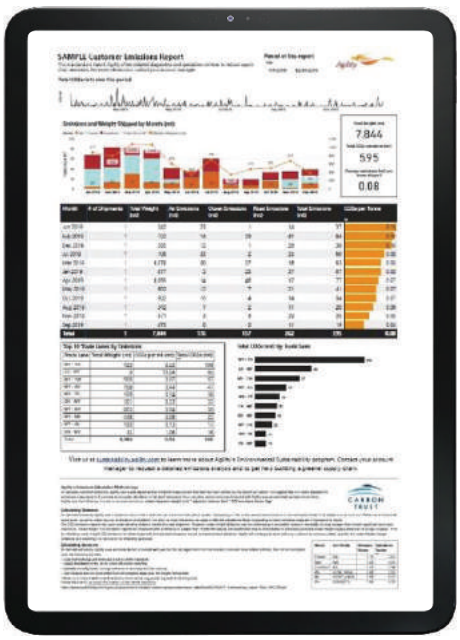
Our customers' emissions are -11%

- Primarily due to COVID-19 related slumps in global trade

Empowering Customer Decision-Making with Data

Customer emissions reporting

Agility offers customers real-time emissions reports showing emissions on a per shipment basis by mode, month and trade lane. Our methodology has been assured by Carbon Trust in the UK.



Modelling Tool

SolutionGenius is a proprietary modelling tool that allows Agility to help customers factor the environment into route planning by demonstrating the cost, time and emissions trade offs from different routing decisions. Results account for variations in routing, carrier sustainability, scheduling, inventory requirements, packing density, transport modes, vehicle types, etc.

SALES TRAINING

Agility trained
100+ commercial team members
on our emissions estimation methodology, sustainability from our customers' point of view and more through our new, on-demand sustainability training program.

Sustainable supply chains: our work with customers

Agility's integrated supply chain solutions team works with customers to redesign supply chains for efficiency and reduced environmental impact, taking into account cost and time trade offs, and each customer's unique needs. For example, modal switch projects can reduce emissions by over 50%, but increase transit time considerably. Optimization can often reduce emissions by up to 10% while also saving time.

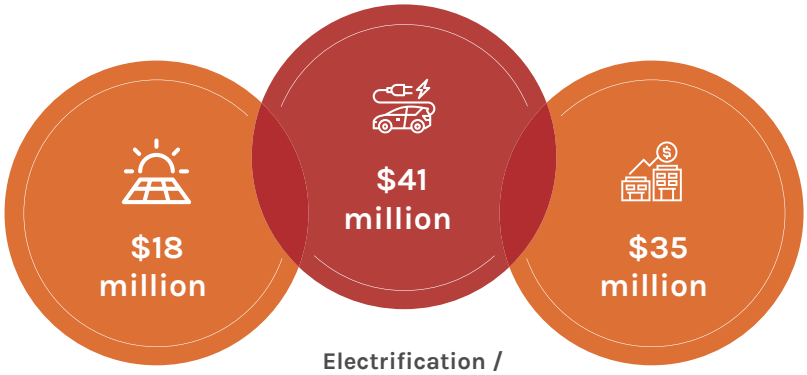
Customer Case Studies

Industry	Electronics	Automotive	Retail	Retail	Technology
Mode	Ocean	Air/Ocean	Ocean	Ocean	Overland
Trade Lanes	Trade Lanes from Asia & the Pacific to the Middle East	China to the United States	Asia to North America	Asia to United States	Intra-Europe
Approach	• Modal switch from air to ocean • Shipment consolidation	• Buyer consolidation to reduce the total number of consolidation points in China • Load optimization • Reroute shipments away from less efficient ports, allowing for better consolidation for inland freight • Utilize double stacking in overland freight	• Buyer consolidation to reduce the total number of consolidation points in China • Improve Purchase Order and vendor management • Load Optimization	• Network optimization • Hub & Spoke distribution • Transport Optimization	• Modal switch from truck to intermodal transport with barge or rail
Emissions Savings	↓ Trade Lane 1: 99% ↓ Trade Lane 2: 78%	↓ 9%	↓ 9%	↓ 10%	↓ By Rail: 58% ↓ By Barge: 68%
Cost savings	↓ Trade Lane 1: 98% ↓ Trade Lane 2: 65%	↓ 24%	↓ 18%	↓ 11%	↓ By Rail: 19% ↓ By Barge: 30%
Other impacts	Days in Transit ↑ Trade Lane 1: 1 to 22 days ↑ Trade Lane 2: 1 to 24 days	Days in Transit ↓ 1 to 17 days, with an average of 4 days faster door-to-door shipments	↓ Average Transit Time: 11% ↓ # of Containers: 11%	↓ Lead Time: 12% ↓ Inventory Level: 8%	↑ By Rail: From 1 to 3 days ↑ By Barge: From 1 to 5 days

Investing in Innovation

Green-technology companies that have the potential to reshape future supply chains are a core pillar of our investment strategy. Agility has steadily increased its investments in this space over the last five years.

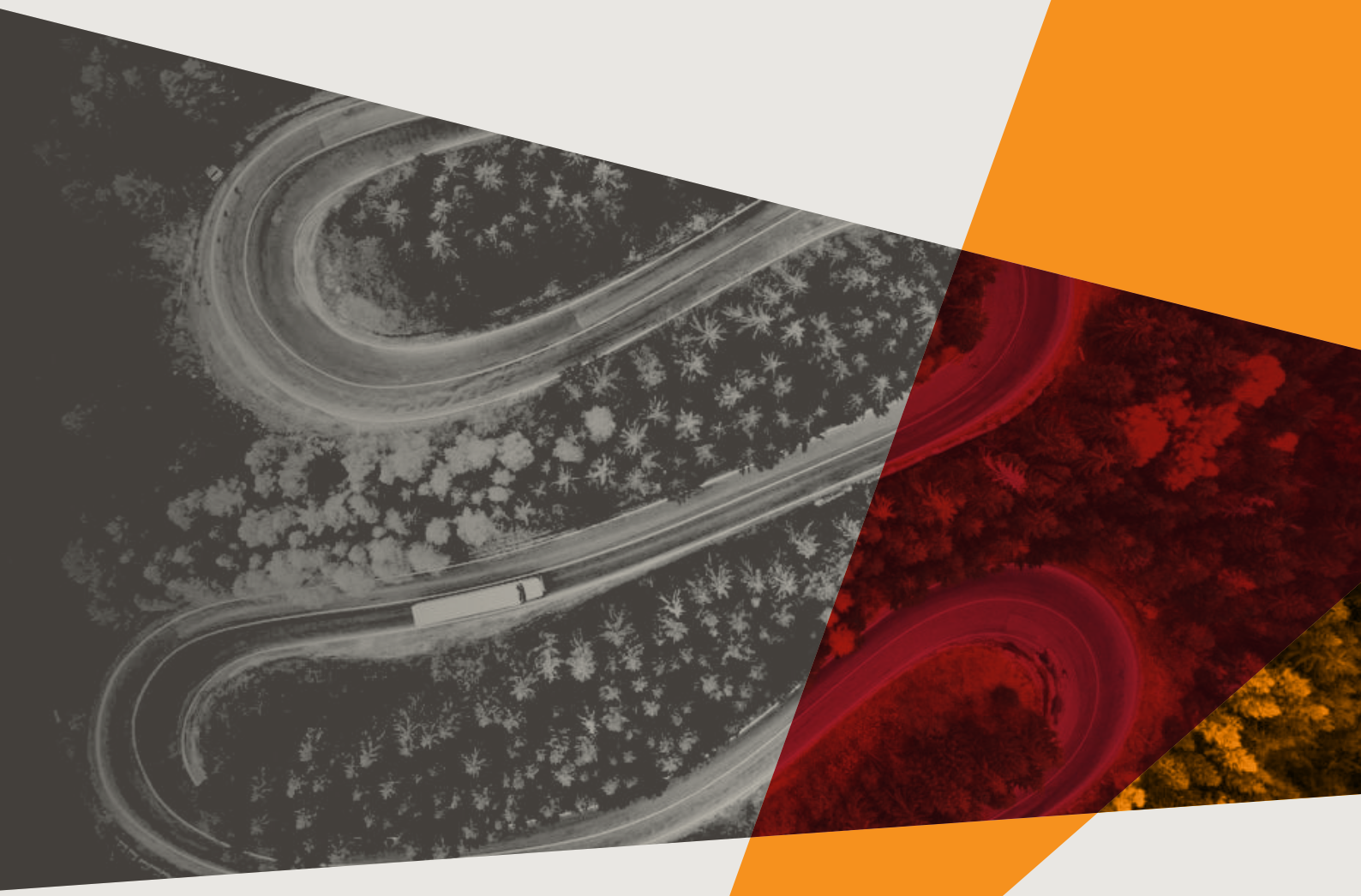
≈ $94 million
invested in green technologies (2016-2021)



Solar / Renewable Energy

Electrification / sustainable transport

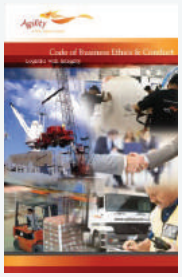
ESG Special Purpose Acquisition Company (SPAC)



Making a difference in our supply chain

Ethics and Compliance

Agility's Ethics and Compliance Approach



8,556

Employees undertook ethics training in 2020

Via Agility's website

By calling a toll-free hotline available in 100+countries, answered by a 3rd party

Set High Standards

Agility sets high standards, including a zero tolerance policy on bribery and modern slavery, in Agility's Code of Conduct, Competition Compliance Policy, and Supplier Code of Conduct. Agility is also a member of the World Economic Forum's Partnership Against Corruption Initiative (PACI).

Invest in Training & Awareness

Agility provides Ethics and Compliance training to employees and suppliers to make sure everyone who supports Agility business understands our expectations, policies and procedures.

Empower People to Speak up safely

Agility expects our employees to raise ethical concerns and support this principle with strong no-retaliation guidelines, and confidential ways to raise ethics grievances.

For more: https://sustainability.agility.com/responsible-business/ethics-compliance/

Sustainable Procurement

Sustainable Procurement

Sustainable procurement is a growing focus for Agility. In 2020, we laid the foundation for driving better visibility of our suppliers, and active engagement with suppliers on environmental and social performance.

2020 Progress

Prioritizing Human Rights

- Agility ensures our emerging markets labor contractors adhere to the standards we set in our Supplier Fair Labor Code. The key issues for us include ensuring that no recruitment fees are charged, no passports are withheld, and that employees have freedom of movement.
- Agility's Supplier Fair Labor Code has been signed by 100% of labor suppliers in 12 emerging markets operations, covering over 92% of Agility's reported subcontracted workers worldwide.

Engaging our Strategic Carriers

- 32% of Agility's top air & ocean carriers scored Ecovadis Silver or better.
- 77% of our top ocean carriers are Clean Cargo Working Group members, like Agility.
- 58% of our air shipments are with carriers that engage with us on sustainability, either through the Sustainable Air Freight Alliance (SAFA) or Ecovadis

Managing our Local Suppliers

- Agility's new supplier management system, SmartView, allows for greater visibility on local suppliers, a consistent approach to supplier qualification (including ESG requirements), and the ability to track which suppliers have signed our Supplier Code of Conduct.
- Agility's SmartView supplier management application has been rolled out to 18 countries worldwide, with a target of full roll-out by end 2021.



Making a difference in our communities

Agility's Community Investment Priorities

Humanitarian logistics

Supporting humanitarian partners with expertise and donated services during major natural disasters

Refugees

Funding programs to support the historically high refugee population in the world today.

Education, Entrepreneurship & Employment

Long-term, in-country partnerships to expand access to education, and eventually employment, for young people.

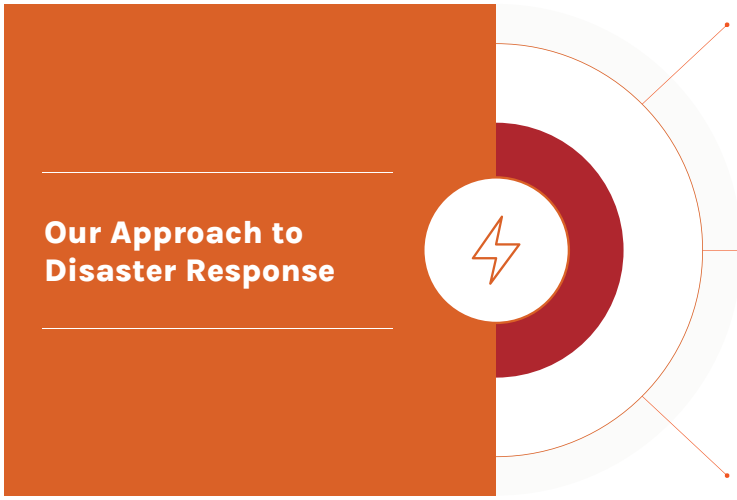
Employee-led Community Initiatives

Supporting local volunteer initiatives led by our people, including matching fundraising efforts.

Humanitarian logistics

Humanitarian Logistics

Agility's humanitarian and emergency logistics program (HELP) is one of the longest-standing programs in our company, designed to bring our core competence in logistics to bear where it is needed the most: humanitarian response.



Service Provision
Agility donates both logistics expertise in the form of our logisticians, as well as in-kind support like transport or warehousing services for relief supplies.

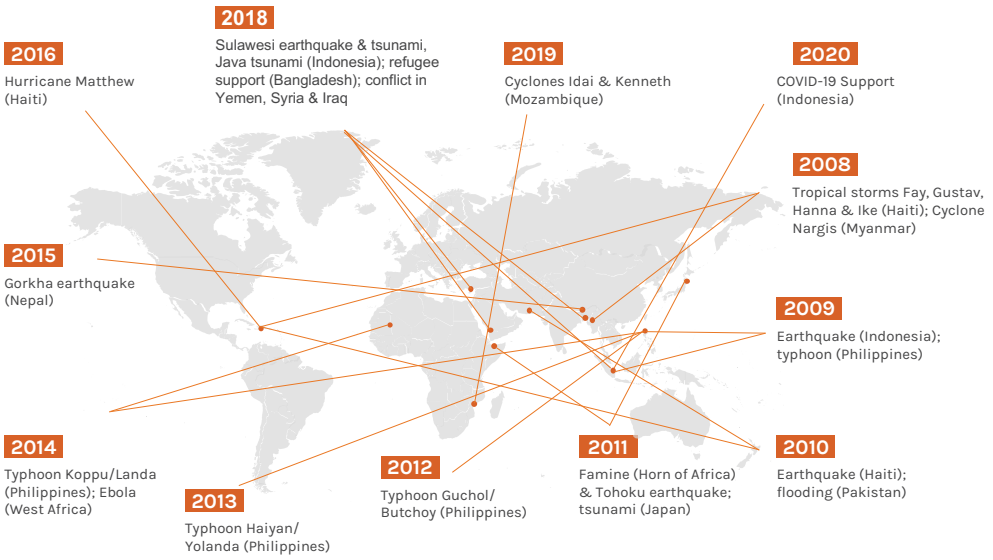
Partnership
Agility always works in partnership with humanitarian organizations, and always at their invitation.

Preparedness
Agility also supports disaster preparedness activities like logistics capacity assessments of major ports, airports, and roads, as well as humanitarian logistics training.

Logistics Emergency Team

The Logistics Emergency Team (LET) is comprised of four of the largest global logistics and transport companies, and supports the United Nations World Food Programme-led Logistics Cluster. Through LET and its bilateral partnerships, Agility has responded to 80+ humanitarian crises, and supported preparedness projects in multiple countries since 2006.

LET Disaster Response Operations



2020 Spotlight: COVID-19 Humanitarian Response

Agility operations around the world geared up to support COVID-19 efforts with public sector and civil society partners.



Moved 150,000 bars of soap to 13 locations across Indonesia for one of the world's largest children charities



Provided free air freight transportation of 50,000 medical gowns to Uganda (with a global air carrier and UN agency)



Moved truckloads of Personal Protective Equipment from South Africa to Mozambique for seven hospitals



Designed a government food security plan



Donated $130,000+ to Bahrain's Feena Khair (There is Good in Us) campaign, to support COVID-19 mitigation efforts.



Donated warehouse space to stockpile COVID-19 supplies across countries in the Middle East

Case Study: Kuwait Red Crescent Support



Kuwait

Agility has worked closely with the Kuwait Red Crescent on humanitarian relief initiatives aimed at supporting vulnerable migrant workers. Agility donated refrigerated truck services to move food to thousands of families in lockdown neighborhoods. Agility also moved personal belongings for citizens returning to their homes after completing their quarantine in government facilities. More than 40+ truckloads of suppliers were moved in total.

Other 2020 Humanitarian Response Operations



Lebanon

After the Beirut Port explosion, Agility provided 1000+ meals per day with Caritas, as well as storage and distribution services for relief supplies. This included transporting a shipment of emergency supplies for International Health Partners and transporting donations from Kuwait to Lebanon for the Kuwait Red Crescent Society, all pro bono. Agility also matched employee donations to procure medical supplies to equip 13 medical centers for two months, for International Medical Corps.



Philippines

Donated transport services to deliver aid to evacuation centers after the Taal Volcano eruption, with Philippines Red Cross.

Community Investments

Our Progress on Community Investments

Agility has invested in 1,900+ community partnerships in 90+ countries, reaching more than 1.6 million people in need since 2006.

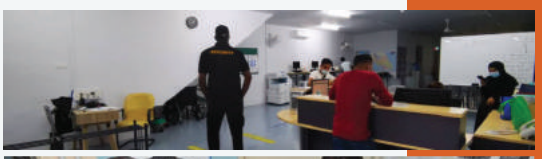
Our Community Impact — **In 2020**

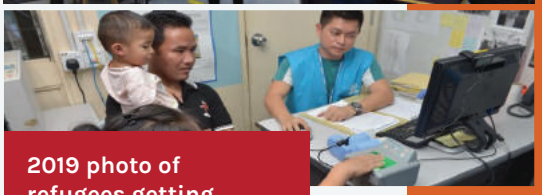
- 3,000 students received Agility support
- 50+ projects in 23 countries
- Over $2 million in employee-matched donations and fundraising

Our Impact Over Time — **2014 - 2020**

- 83,000 students received Agility support
- 980 projects in 67 countries
- Reaching more than 1+ million people in need overall

Our Progress on Refugees





2019 photo of refugees getting their ID cards renewed in Kuala Lampur

Supporting 12,000 Refugees with UNHCR

In January 2020, Agility and the United Nations High Commissioner for Refugees (UNHCR) announced a partnership that will strengthen the delivery of essential services to refugees in Malaysia, establishing pilot programs in Johor and Penang to bring critically needed services to more than 12,000 refugees.

The services include refugee card renewal, access to essential information related to protection, and counseling on available services. Most of the refugees are Rohingyas from Myanmar.

With local engagement and support, Agility and UNHCR will eliminate the need for vulnerable refugees to travel 300+ kilometers from their homes to Kuala Lumpur to have access to vital services.

2020 Education Partnerships in Action

Agility's community investments focus has been on the nexus between youth, education, and employment – with a commitment to supporting young men and women equally when it comes to education initiatives we fund. In 2020, in the face of widespread lockdowns around the world, Agility's education partnerships pivoted to give students access to digital learning.



Our 2020 Digital Access to Education Partnerships

Indonesia: Donated laptops to support the education of **180+ students**.

Colombia: Donated laptops to the YMCA & Nueva Vida Foundation, benefitting **150 students**.

Bangladesh: Donated laptops and photocopiers to teachers at a school in Bangladesh to create a digital curriculum for **nearly 500 students**.

Brazil: Donated Chromebooks to support **600 students** attending Sao Paulo's Mao Amiga school.

Ghana: **50 students** undertook occupational training program, covering electrical, IT, and online entrepreneurship subjects.

India: Paid teachers' salaries in India to continue virtual teaching for **300+ students**.

Spotlight: Digital Access to Education with Aflatoun

- Agility and Aflatoun International, an NGO specializing in life skills and financial education around the world, have partnered to increase educational opportunities for more than 560,000 students, with at least half of the opportunities created for female students.
- Agility's support will fund the development and translation of Aflatoun's "AflaYouth" financial literacy and entrepreneurship curriculum into Arabic, French, and Spanish, which gives students, ages 16-24, access to both online and in-person training, support, mentoring and learning during their transition into the formal labor market, or as they launch an entrepreneurial career.
- "AflaYouth" will be provided to Aflatoun's network of 45 NGOs in 25 countries in the Middle East, North and West Africa, and Central and South America. Training will take place both in-person and online.





Spotlight: Kuwait Partnerships







INJAZ

Agility has partnered with INJAZ for 15 years, supporting more than 100,000 students with entrepreneurship training programs in total. In addition to financial support, Agility volunteers have mentored more than 1,500 students over the years in business skills.

LOYAC

Agility has partnered with LOYAC for 14 years on education initiatives, including supporting the Kon Entrepreneurship Program that has reached 300+ students to date. In addition to ongoing financial support, Agility provided virtual online training to students in 2020.

Kuwait Society for the Handicapped

Agility has signed a three-year memorandum of understanding with the Kuwait Society for the Handicapped to support the construction of the first-ever sensory gym in Kuwait.

About this report

About Agility's sustainability reporting

Entities covered
This 2020 update on Agility's sustainability progress covers activities and data for Agility-branded organizations during the year 2020. Data and statistics on human rights, gender and age breakdown, health and safety, and emissions apply only to Agility's core commercial business division, Global Integrated Logistics (GIL), unless otherwise stated. GIL accounts for over 75% of Agility's revenue and 60% of headcount.

Subsidiaries Reported Separately
Agility's subsidiaries are out of scope for this report. Tristar, UPAC and GCC Services all submit an annual Communication on Progress to the UN Global Compact which is available on the UN Global Compact website. All Agility CSR reports, including subsidiary reports, can be viewed on Agility.com in the Sustainability section.



Data quality
We have made every effort to ensure the accuracy of information and data presented herein, and we are continuously working to improve the quality of the data and data management systems to capture and report on non-financial information. The limitations of the data, measurement techniques and basis of calculation are detailed in the sustainability data disclosure.

External assurance
We have not pursued external validation for this report. Information presented in this report has been reviewed by relevant subject matter experts within Agility and signed off by the senior management team. This report contains standard disclosures from the GRI Sustainability Reporting Guidelines (G4). A full GRI Index will be released in Q3 of 2021.

We welcome your feedback and questions. To contact Agility's sustainability team, please email us at sustainability@agility.com.



Corporate Governance Report

Introduction

Agility Public Warehousing Company KSCP continuously strives to comply with the international best practices in Corporate Governance and all the applicable rules and regulations set by the regulatory authorities. In addition, the company ensures compliance with all its legal obligations in accordance with its articles of association and commitment to its duties towards all stakeholders.

Agility approaches its corporate governance implementation through its Board of Directors, a majority of which is comprised of non-executive Directors. The Board focuses on effective oversight of management's operation of the business and maintains a sound and transparent governance framework by utilizing the different committees formed by the Board.

The Board of Director's has formed four committees - Audit, Risk, Nomination and Remuneration and Sustainability- those in addition to the Executive Management and internal and external auditors of the company support the Board in carrying its duties and responsibilities.

In addition to help improve and maintain the soundness and transparency of its governance, the company separates the Chairman's function from that of the Chief Executive Officer; maintains what the company believes is an appropriate Board size, which enables the members of the Board to actively contribute to discussion; and advances the proper function of the committees.

Corporate Governance Rules and Regulations

Rule I: Construct a Balanced Board

Board Composition

Agility's Board of Directors is committed to improve the corporate governance and compliance culture across the Group. It adheres to all the applicable and relevant international best practices of corporate governance and recognizes that good governance is vital for the long-term success and sustainability of the Company.

The Board of Directors aims to protect the interests of all stakeholders. The Board, directly and indirectly through its committees, leads and provides direction to management by laying down strategic frameworks and overseeing their implementation reflected through the overall performance of the Company. Moreover, the Board of Directors works to enhance the competitiveness of the Company to achieve high growth rates.

Agility has a balanced Board structure with diverse backgrounds, expertise and qualified skills to positively impact the Company's performance and enhance its financial position and market share taking into account the nature and size of its business structure.

The Board of Directors consists of seven members with a majority of non-executive Directors and independent members. When it comes to duties, the company makes sure that the Board of Directors has sufficient time to perform their duties and responsibilities.

Agility Board Members are:

Name	Position	Type	Background	Date of appointment
Henadi Al-Saleh	Chairman	Executive	Bachelor in Economics	02 April 2019
Tarek Sultan	Vice Chairman	Executive	Master in Business Administration	02 April 2019
Sultan Al-Essa	Member	Non-Executive	Bachelor in Business Administration	02 April 2019
Ahmed Al-Thunayan	Member	Non-Executive	Bachelor in Accounting	02 April 2019
Naser Al-Rashed	Member	Independent	Master in Business Administration	02 April 2019
Faisal Al-Essa	Member	Non-Executive	Bachelor in Business Administration	02 April 2019
Essam Al-Mailam	Member	Non-Executive	Bachelor in Architectural Engineering	02 April 2019
Sonia Al Sharafi	Board Secretary	Board Secretary	More than 25 years of experience	02 April 2019

Summary of registering, coordinating, and archiving the Board's minutes of meetings:

The Board secretary, who is elected by the Board, ensures that all Board members receive the required information, documents and records related to the Company in a timely manner. The Board Secretary is also responsible for all matters related to the Board's meetings including agendas, invitations to members, minutes of discussions and tallying results of the votes, in-addition to ensuring the Board members are notified of meeting dates ahead of time, taking into account emergency meetings.

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

Due to the Covid-19, most of the Board of Directors meetings were held electronically in line with the precautionary measures taken.

The Board of Directors held 6 meetings during 2020, and attendance was as follows:

	Meeting record							
Name	20 Feb 2020	8 Jun 2020	30 June 2020	13 Aug 2020	23 Aug 2020	8 Nov 2020	Attendance	Absence
Henadi Al-Saleh	√	√	√	√	√	√	6/6	0
Tarek Sultan	√	√	√	√	√	√	6/6	0
Sultan Al-Essa	√	√	√	√	√	√	6/6	0
Ahmed Al-Thunayan	√	√	√	√	√	√	6/6	0
Naser Al-Rashed	√	√	√	√	√	√	6/6	0
Faisal Al-Essa	√	√	√	√	√	√	6/6	0
Essam Al-Mailam	√	√	√	√	√	√	6/6	0

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

Rule II: Establish Appropriate Roles and Responsibilities

During the current year, Agility's Board of Directors exercised its oversight to ensure that the company complied and enforced all Corporate Governance requirements as set by the Capital Markets Authority. The Board also played an active role in the measures taken by the company to face the challenges imposed by the Covid-19 pandemic. When performing their duties, members of the Board follow a Charter that outlines the roles and responsibilities of the members, Chairman, and Executive Management in accordance with the rules and regulations of Corporate Governance.

Roles and responsibilities of the Board of Directors:

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

Roles and responsibilities of the Board Chairman:

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

Board main achievements in 2020:

In line with their roles and responsibilities, the Board has:

1- Approved the Company's full year plan and monitored regularly the performance of the company compared to this plan
2- Adopted an action plan to face the Covid-19 pandemic and followed up on its implementation
3- Monitored the performance of the Board committees
4- Reviewed and approved all the required reports for the shareholders meetings
5- Ensured the efficiency of the internal controls

Roles and responsibilities of the Executive Management:

The company has a team of highly qualified Executive Management members able to carry out all the major duties entrusted to them in accordance with the Corporate Governance framework. Responsibilities of Executive Management include:

- Executing company's strategic plans, as well as ensuring adequacy and efficiency of the strategic frameworks established by the Board of Directors
- Preparing periodic reports (financial and non-financial) demonstrating company's performance during a specified period in comparison to certain KPIs set by the Board
- Establishing a complete and integrated accounting system and preparing financial statements in accordance with the International Accounting Standards approved by the Authority
- Managing daily business affairs and activities, in addition to managing company resources optimally
- Participating actively in building and developing a culture of ethical values across the company
- Establishing internal audit and risk management systems and ensuring its efficiency and sufficiency

Board Committees

Part of the Board's responsibilities is to establish Board committees to support and fulfill their roles effectively, in line with the company's needs and work conditions. The Board of Directors has formed committees in accordance with the rules and regulations of the Corporate Governance policy set by the Capital Markets Authority. The Board Committees are:

- Audit Committee
- Risk Management Committee
- Nominations and Remuneration Committee
- Sustainability Committee

Audit Committee

Formed	Period	Members	Meetings
9 May 2019	3 years	3	4

Members

Name	Role	Classification	Attendance
Naser Al-Rashed	Chairman	Independent	4/4
Sultan Al-Essa	Member	Non-executive	4/4
Faisal Al-Essa	Member	Non-executive	4/4

Roles and responsibilities

- Review periodic financial statements prior to their submission to the Board of Directors and provide the Board with opinions and recommendations in order to ensure fairness and transparency of financial statements
- Study accounting issues and their impact on financial statements
- Evaluate the effectiveness of the internal audit systems in place.

- Review internal audit and regulatory bodies' reports
- Review the work of the external auditors

Committee main achievements in 2020:

1- Monitored the performance of the internal audit department
2- Reviewed internal audit reports periodically
3- Reviewed quarterly financials before submitting them to the Board
4- Reviewed applicable accounting policies
5- Evaluate the impact of the Covid-19 pandemic on the financial statements

Risk Management Committee

Formed	Period	Members	Meetings
9 May 2019	3 years	4	5

Members

Name	Role	Classification	Attendance
Naser Al-Rashed	Chairman	Independent	5/5
Ahmed Al-Thunayan	Member	Non-executive	5/5
Tarek Sultan	Member	Executive	4/5
Essam Al-Mailam	Member	Non-executive	5/5

Roles and responsibilities:

- Prepare and review risk management strategies and policies prior to getting them approved by the Board of Directors and verifying application of such strategies and policies in a manner appropriate to the company's nature and level of activities
- Ensure availability of resources and systems sufficient for risk management
- Ensure that the risk management employees fully understand the risks surrounding the company and work to increase employees' awareness of the risk culture

Committee main achievements in 2020:

1- Monitored the performance of the risk management function
2- Monitored the execution of the risk-management function action plan
3- Review and approve the reports prepared by the risk-management function
4- Evaluate the risks of Covid-19 on the company's business

Nomination and Remuneration Committee

Formed	Period	Members	Meetings
9 May 2019	3 years	3	1

Members

Name	Role	Classification	Attendance
Faisal Al-Essa	Chairman	Non-executive	1/1
Naser Al-Rashed	Member	Independent	1/1
Tarek Sultan	Member	Executive	1/1

Roles and responsibilities:

- Recommending nomination and re-nomination for Board members and Executive Management
- Setting a clear remuneration policy for members
- Conducting annual review of the required skills needed for Board membership

Committee main achievements in 2020:

1- Prepared the Board's and executive management's compensation report
2- Ensure the independency of the independent board members
3- Supported the Board during the performance self-assessment review

Sustainability Committee:

Formed	Period	Members	Meetings
9 May 2019	3 years	3	2

	Name	Role	Classification	Attendance
Members	Tarek Sultan	Chairman	Executive	2/2
	Nasser Al-Rashed	Member	Independent	2/2
	Ahmed AL-Thunayan	Member	Non-executive	2/2

Roles and responsibilities:

- Review Agility's significant strategies, performance, activities and policies regarding sustainability and provide recommendations to the Board
- Monitor the Company's relationships with external stakeholders regarding significant ethics & compliance, health & safety, labor practices, environmental performance, community engagement, and charitable activities matters
- Advise the Board and management on strategies that affect and enhance the Company's role and reputation among its stakeholders

Committee main achievements in 2020:

1- Reviewed the updates of the sustainability team's progress
2- Reviewed the results of external assessments of the company's sustainability performance, including FTSE4Good and Ecovadis ratings
3- Reviewed and accepted the sustainability team's 2021 strategy proposal

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

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

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

Board members' biographies:

Henadi Al- Saleh - Chairperson

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

Tarek Sultan – Vice Chairman

Tarek Sultan is the Vice Chairman of Agility. Sultan assumed leadership of the company in 1997, and spearheaded Agility's growth into a $5.3 billion company, pioneer in emerging markets, and champion of sustainable business.
Agility's businesses span freight forwarding and contract logistics across 100+ markets, developing and operating logistics parks across the Middle, Africa and Asia, and a portfolio of subsidiary business offering fuel logistics, airport services, commercial real estate and facilities management, customer digitization, and remote infrastructure services. Agility is also an investor in emerging technologies and companies. Sultan is an active supporter of the World Economic Forum (WEF), and is a Steward of the WEF's Stewardship Board of the Platform on Shaping the Future of Mobility and a Governor of the World Economic Forum's Supply Chain & Transport Industry Community.
Sultan has previously served as advisor to the Singapore Economic Development Board, sat on Wharton's International Advisory Council, and served as a member of the Board of Directors of Gulf Bank and Burgan Bank.
Before taking on his leadership role at Agility, Mr. Sultan was the managing director of New York Associates, a regional investment banking services provider and an associate with Southport Partners, a U.S.-based corporate finance advisory firm specializing in the technology sector. Sultan holds an MBA from the Wharton School at the University of Pennsylvania and a Bachelor of Economics from Williams College.

Ahmad Al-Thunayan

Ahmad H. Al-Thunayan, is currently the Chief Operations Officer at the Public Institution for Social Security in Kuwait. As COO, his current responsibilities include the design and implementation of business strategies, policies and procedures in addition to the overall management of the operations division. He evaluates Investment performances by analyzing and interpreting data and metrics. His experience exceeds 29 years in operations, finance and accounting.
Mr. Al-Thunayan has held several managerial positions in Zain Group (2000-2010) and served as the Assistant Deputy Director in Investment Accounting at the Kuwait Fund for Arab Economic Development (2010-2017).
Mr. Al-Thunayan holds a Bachelors Degree in Accounting from Kuwait University (1991).
He is currently a Member of the Board of Directors in both Agility (Kuwait) and Iskan International for Real Estate Development (Kuwait).

Sultan Anwar Al-Essa – Board Member

Sultan Anwar Al-Essa is the Chief Executive Officer and Vice Chairman of Union Real Estate Co. (UREC), a leader in developing, leasing and managing luxury apartments within Kuwait. Founded in 1975, UREC remains focused on providing the best service for its loyal customers.

Mr. Sultan has been with UREC since 2008. Prior to that, he worked at Petroleum Services Co., a privately owned company focused on supplying and servicing the oil & gas sector. Mr. Sultan graduated from Northeastern University in Boston with a degree in Business Administration.

Faisal Jamil Al-Essa – Board Member

Faisal Jamil Al-Essa is the Vice Chairman and Chief Executive Officer of Kuwait based National Real Estate Company K.P.S.C., one of the leading publicly traded real estate companies in the Middle East with more than $US 2 billion in assets under management and projects and offices in more than ten countries. Before becoming Vice Chairman and Chief Executive Officer, Al-Essa served NREC by leading its business development function and as a Board member, chairman and MD of various subsidiary organizations. He is also Chairman of Kuwait Agro Holding one of the leading fruits and vegetable, poultry and dairy companies in the Middle East.
Al-Essa is a graduate of US based Barry University with a degree in Business Administration.

Nasser Al-Rashed – Board Member

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

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

Essam Al-Mailam – Board Member

Essam Musaed Al-Mailam has more than 20 years of experience in real estate development in Kuwait and abroad, held several positions in a number of shareholding companies as well as governmental institutions. He has also served as Chairman and Managing Director of Nakheel United Real Estate Company, and Chief Executive Officer of the Public Utilities Management Company, among other executive positions. Mr. Al-Mailam is also the Chairman of Ahjar Holding Company, a Board member of Kuwait Petroleum International (Q8), and a member of the Committee for General Projects and Housing at the Kuwait Chamber of Commerce and Industry. Mr. Al-Mailam holds a Bachelor degree in Architectural Engineering from the University of Miami, USA.

Mr. Al-Mailam is also the Chairman of Ahjar Holding Company, a Board member of Kuwait Petroleum International (Q8), and a member of the Committee for General Projects and Housing at the Kuwait Chamber of Commerce and Industry.
Mr. Al-Mailam holds a Bachelor degree in Architectural Engineering from the University of Miami, USA.

Nomination and Remuneration

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

Committee's main responsibilities are:

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

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

Board of Directors Remuneration

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

Based on the recommendation of the Nominations and Remuneration Committee, total Board remuneration for the year 2020 was as follows:

Remuneration and benefits for members of the Board of Directors

Total Number of Members	Remuneration and benefits through the parent company			Remuneration and benefits through the subsidiaries	
	Fixed remuneration and benefits (KD)	Variable remuneration and benefits (KD)		Fixed remuneration (KD)	Variable remuneration (KD)
	Health Insurance	Annual Remuneration	Committees' Remuneration		
7	N/A	140,000	350,000	95,380	250,000

Executive Management Remuneration

Executive Management remuneration consists of two components. The first component is fixed compensation based on the level of responsibilities. The second component is variable remuneration linked to the achievement of previously approved targets. Both types of compensation are reviewed by the Nomination and Remuneration Committee and relative departments on an annual basis. The total remuneration given to Executive Management for the year 2020 is as follows:

Total remunerations and benefits granted to five senior executives who have received the highest remunerations

Total Executive Positions	Remuneration and benefits through the parent company							Remuneration and benefits through the subsidiaries	
	Fixed remuneration and benefits (KD)						Variable remuneration and benefits (KD)	Fixed remuneration (KD)	Variable remuneration (KD)
	Monthly Salaries	Health Insurance	Annual Tickets	Housing Allowance	Transportations Allowance	Children's Education Allowance	Annual Remuneration		
5	506,540	31,891	7,685	25,200	6,600	N/A	2,256,777	N/A	N/A

Note: Annual remuneration is what was paid in 2020 for the year 2019

Rule IV: Safeguard the Integrity of Financial Reporting

Financial statements and external auditors

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

Financial Reports:

The company issues a set of financial reports on a regular basis, and they include:

- Periodic and annual financial information
- Earnings reports
- Annual reports

Audit Committee

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

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

During 2020, the committee met four times during the year on a quarterly basis, and no contradictory views were noticed between the committee's recommendations and Board of Directors' resolutions.

Audit Committee responsibilities:

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

With regard to the external auditor, the Audit Committee works to:

- Recommend to the Board of Directors the appointment and re-appointment of the external auditor, as well as, specify the appropriate remuneration. Moreover, the Audit Committee should ensure that the auditor is among the approved and licensed auditors by the relevant authorities.

- Verify the independence of the external auditor periodically before his or her appointment or reappointment. The committee should ensure that the external auditor does not perform any additional tasks which may affect the external auditor's independence.

Based on the above, the Audit Committee has recommended to the Board in 2020 the reappointment of the company's current external auditors: Mr. Bader Adel Al Abduljader / Ernst & Young and Mr. Shuaid Abdullah Shuaib / RSM-Al Bazei and Partners which was later presented to the General Assembly for approval.

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

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

Risk Management Committee

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

The Risk Management Committee has a number of responsibilities:

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

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

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

1. Sound identification of authorities and responsibilities
2. Clear separation of roles to eliminate conflict of interest
3. Inspection and dual audit
4. Dual signature
5. An approved authority matrix and segregation of duties
6. Implementing policies and procedures to be followed while doing business
7. Advanced IT systems (trasfora approval process) for approval process and separation of duties
8. Advanced IT systems for protection (next generation firewalls, network intrusion detection systems, Unified Threat Management (UTM) Appliances, 2FA for remote access, AI based Antivirus

The company has appointed an independent company (Deloitte) to evaluate and review the internal audit systems in place and prepare a report in this regard (Internal Control Report) to be presented to the Capital Markets Authority. The report was concluded with minor observations, and the Board has delegated the responsible departments to take actions accordingly.

Internal Audit Department

Agility's Internal Audit Department enjoys full technical independency by reporting directly to the Internal Audit Committee. The department should ensure that all policies and procedures are followed properly within all departments and the current systems are capable to evaluate the efficiency of the company's daily operations and its ability to encounter the unforeseen market changes.The department prepares periodic reports on all the work done including their recommendations to be presented to the internal audit committee, which then presents its report to the Board

Rule VI: Promote Code of Conduct and Ethical Standards

The company, represented by the Board of Directors, the Executive Management and its employees, believes that the professional and ethical standards are of the most important aspect in the company's success. Upon this belief, the company complies with the approved policies of the Board of Directors in this regards. The policies touch upon important aspects, such as the relationship with trading partners, the integrity of financial data, as well as the safety of information and the environment. The Board of Directors, Executive Management, and employees are required to follow these policies in all of their job functions and duties.

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

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

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

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

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

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

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

Brief on the application of the disclosures record and its requirements:

The company has created a record of disclosures for the members of Board of Directors and Executive Management, which is updated on a regular basis and can be accessed by any shareholder without any fee or charge.

A brief summary on the requirements to form the investor relations department:

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

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

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

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

Rule VIII: Respect the Rights of Shareholders

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

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

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

Moreover, the company strives to strengthen its communication with its investors and financial analysts. The Investor Relations Department is the point of contact between the company and its shareholders or potential investors.

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

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

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

The articles of association include all shareholder rights with regard to the general meetings and attendance of the general assembly meeting. The articles also include the work agenda, voting rights, and voting procedures of the general shareholder meetings as well as participation. The company has developed a policy for the protection of shareholders' rights that is available for all shareholders to view. The company was one of the first companies to hold its annual general assembly electronically, in line with the decisions of the Health Committee during the Covid-19 pandemic.

Rule IX: Recognize the Roles of Stakeholders

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

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

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

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

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

The company also maintains a complaints section on its website and a hotline to report any complaints.

Rule X: Encourage and Enhance Performance

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

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

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

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

As per the Board of Directors' charter, an annual self-assessment exercise has to be done by Board and committee members to evaluate the performance of the Board and the committees during the year. The evaluation is based on certain financial and non-financial set of performance measurement indicators tied to the achievement of strategic goals of the company.

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

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

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

Rule XI: Focus on the Importance of Corporate Social Responsibility

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

At Agility, we take our responsibility to act with integrity, and give back, seriously. It's the right thing to do, and it's good for our business. A culture of acting responsibly benefits the communities where we work, contributes toward a cleaner planet, adds to the sense of pride and collective spirit among our employees, and it strengthens our relationships with customers and shareholders. Guided by our Code of Business Ethics & Conduct, we responsibly manage Environment, Social and Governance issues as demanded by our customers, communities, employees and shareholders.

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

ESG, social responsibility and sustainability are things we take seriously, at every level of our company, and they are part of our engagement strategy with our customers, suppliers and communities. We have a number of mechanisms and programs we use to manage these issues including Board Committee engagement on identified material issues, as well as a comprehensive approach to program management that includes periodic, timely and transparent external reporting. For more details, please see the Sustainability section of this Annual Report, or the company's publically available sustainability website.



Auditors' Report

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.

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.





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
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.

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.

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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)*

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.

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.

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.





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 (continued)

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.

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.





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 (continued)

- 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.

- 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.

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.

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

Report on Other Legal and Regulatory Requirements (continued)

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.

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

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

14 March 2021
Kuwait



Consolidated Financial Statements

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	*2019*
	KD 000's	*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

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	*Share premium*	*Statutory reserve*	*Treasury shares*	*Treasury shares reserve*	*Foreign currency translation reserve*	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Retained earnings*	*Sub total*	*Non-controlling interests*	*Total equity*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
As at 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	*Share premium*	*Statutory reserve*	*Treasury shares*	*Treasury shares reserve*	*Foreign currency translation reserve*	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Retained earnings*	*Sub total*	*Non-controlling interests*	*Total equity*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
As at 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) 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'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

i) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

3 GROUP INFORMATION

Principal subsidiaries of the Group are as follows:

Name of company	*Ownership % as at 31 December* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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	*2019*
	KD 000's	*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	*Tools, machinery and equipment*	*Vehicles and ships*	*Furniture and office equipment*	*Total*	*Lease liabilities*
	KD 000's	***KD 000's***	***KD 000's***	***KD 000's***	***KD 000's***	***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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

6 LEASES (continued)

	Right-of-use assets					
	Land, buildings and improvements	*Tools, machinery and equipment*	*vehicles and ships*	*Furniture and office equipment*	*Total*	*Lease liabilities*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*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	*2019*
	KD 000's	*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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	*2019*
	KD 000's	*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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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	*2019*
	KD 000's	*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	*2019*
	KD 000's	*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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

17 SHARE CAPITAL, RESERVES AND DIVIDEND

a. Share capital

	Number of shares		*Amount*	
	2020	*2019*	***2020***	*2019*
			KD 000's	*KD 000's*
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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

17 SHARE CAPITAL, RESERVES AND DIVIDEND (continued)

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	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Non-controlling interests*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
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	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Non-controlling interests*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

18 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2020 KD 000's	2019 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 KD 000's	2019 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	*Service cost*	*Net interest*	*Past service (cost)/ benefit*	*Sub-total*	*Benefits paid*	*Return on plan assets**	*Actuarial changes on demographic assumptions*	*Actuarial changes on financial assumptions*	*Experience adjustments*	*Sub-total*	*Contributions by employer*	*Others (including exchange differences)*	*31 December 2020*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
Defined benefit obligation	(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	*Service cost*	*Net interest*	*Past service (cost)/ benefit*	*Sub-total*	*Benefits paid*	*Return on plan assets**	*Actuarial changes on demographic assumptions*	*Actuarial changes on financial assumptions*	*Experience adjustments*	*Sub-total*	*Contributions by employer*	*Others (including exchange differences)*	*31 December 2019*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
Defined benefit **obligation**	(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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

19 INTEREST BEARING LOANS (continued)

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	*2019*
	KD 000's	*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	*2019*
	KD 000's	*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	*2019*
	KD 000's	*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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

25 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

				Notional amounts by term to maturity		
	Positive fair value 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

26 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2020	*2019*
	KD 000's	*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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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:

	Major shareholders	*Other related parties*	*Total*
2020	***KD 000's***	***KD 000's***	***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**

	Major shareholders	*Other related parties*	*Total*
2019	*KD 000's*	*KD 000's*	*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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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	*2019*
	KD 000's	*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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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*	*Infrastructure*	*Adjustments and eliminations*	***Total***
	KD 000's	*KD 000's*	*KD 000's*	***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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Trade receivables (continued)

31 December 2019	*Trade receivables*						
	Days past due						
	Current	*1 to 30 days*	*31 to 60 days*	*61 to 90 days*	*91 to 120 days*	*> 120 days*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

Financial liabilities	**Less than 1 month KD 000's**	**1 to 3 months KD 000's**	**3 to 12 months KD 000's**	**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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

Interest rate sensitivity
Based on the Group's financial assets and liabilities held at the year end, an assumed 50 basis points 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	*2019*
	KD 000's	*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	*2019*	***2020***	*2019*
	KD 000's	*KD 000's*	***KD 000's***	*KD 000's*
US Dollars	***±1,980***	±1,535	***±3***	±3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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**

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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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

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AS AT 31 DECEMBER 2020

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.



Annex

Agility's Material Topics

Agility has identified the risks and opportunities for our business and our stakeholders associated with each of our material topics across five categories. To structure our thinking, we have used the risk and opportunity categories from the Task Force on Climate-related Financial Disclosures (TCFD), a private sector-led initiative that creates consistent guidelines for businesses to assess their climate-related risks and communicate them to their investors. By using these categories, we demonstrate our willingness to be part of the global network of companies committed to understanding and disclosing climate-related risks, and to contribute to a low-carbon future. The codes that we use for each risk or opportunity correspond to the types of risk indicated in the TCFD Risk and Opportunity Category Table.



Name	Quadrant in Materiality Matrix	Impacts, Risks and Opportunities for Agility and its Stakeholders	Management Approach	Related SDGs
Climate Change (GHG Emissions)	1 - Actively Manage	1.Risk that rising temperatures in many emerging markets will lead to increased demand for electricity, straining distribution infrastructure, which would lead to service disruptions and potentially higher costs. (P:C)	1.Reduce emissions through energy efficiency measures, as well as the sourcing and generation of renewable energy for both new builds and existing operations.	
		2.Risk that countries adopt pro-climate policies that increase costs for our business or limit our operations. (T:P)	2.Monitor environmental regulations in key markets	
		3.Risk that customers expect low- and zero-emissions solutions but are not willing to pay for them, which would increase our costs. (T:M)	3.Engage customers on sustainability and identify collaborative opportunities to reduce emissions.	
Material Waste	4 - Actively Monitor and engage	1.Risk that governments introduce extended producer responsibility legislation leading our customers to require circular solutions, and ask for waste management. (T:P)	1.Measure and report materials usage to identify how and where to reduce.	
			2.Offer waste-reduction solutions to our customers.	
Air Pollution	3 - Monitor	1.Risk that air quality regulations requiring cleaner technologies increase carrier and customer costs. (T:P)	1.Where applicable, communicate with customers about how air quality regulations may impact prices.	
		2.Risk that air pollution negatively affects employee health and wellbeing.	2.Engage in industry discussions on innovations to address SOx, NOx, and particulate matter in transportation operations.	
		3.Risk that poor air quality in key markets deters or slows economic development. (P:C)		
Extreme weather events	3 - Monitor	1.Risk that increasingly frequent disruption of supply chains impacts our performance and increases costs; insurance costs increase; our employees, customers and communities face loss of life and property. (P:A)	1.Collaborate with other logistics partners on the Logistics Emergency Teams (LET) of the World Food Programme to respond to disasters and conduct preparedness activities, building our own capabilities as well as our partner's ability to respond.	
		2.Opportunity to support humanitarian partners in disaster response, building experience to improve our resilience in the face of disruptions to our own operations. (O:RE)		
Sustainable Refrigeration	3 - Monitor	1.Risk that our current refrigeration systems may become obsolete as countries implement policies in line with the Kigali Agreement. (T:P)	1.Exploring natural refrigerant options with low global warming potential as equipment is replaced during maintenance or end of life.	
		2.Opportunity to adopt more efficient refrigerant products by leading in the demand for clean cooling solutions, particularly in our asset heavy Middle East region. (O:P)		
Health & Safety	1 - Actively Manage	1.Risk of accidents leading to injury or loss of life. (P:C)	1.Build a "Target Zero" health and safety culture using ongoing risk assessments, continuous communication, and digital technology, among other tools.	
		2.Risk that approach to health & safety does not meet customer requirements. (P:C)	2.Conduct ISO 45001/18001 and ISO: 9001 audits in a majority of sites	
			3.Include Safety in the supplier management program.	

Human Rights	1 - Actively Manage	1. Risk that company employees violate the human rights of employees, contracted workers or supplier employees. (T:R) 2.Risk that human rights violations are uncovered in our supply chain. (T:R) 3.Opportunity to proactively pioneer best practices in our industry and develop a supplier training program that sets a standard for our industry. (O:PS)	1.Create a culture of respect for human rights through an industry-leading global human rights policy, training and assessment program - including how we manage global and local suppliers.	
Quality Education	2 - Integrated into strategy	1.Risk that poor education attainment leads to youth unemployment, limiting economic opportunity in our communities, slowing economic development. (P:C) 2.Opportunity to contribute to education to improve economic opportunity and our business engagement in the communities where we work. (O:R)	1.Support quality education for both girls and boys through our community investment program, and long-term, in-country as well as global partnerships.	
Diversity, Gender & Inclusion	1 - Actively Manage	1.Risk that we struggle to obtain and retain the best talent in the industry if we do not do enough to recruit and maintain talent from diverse groups. (T:R) 2.Risk that we miss out on diverse perspectives that could unlock opportunities to improve our performance. (T:M) 3.Opportunity to pioneer women's empowerment and diversity in emerging markets and/or the logistics industry. (O:R)	1.Aim to hire and train local management 2. Monitor our gender performance and benchmark against others in our industry 3.Leadership development programs that set our already diverse country level senior management on a path to regional or global leadership roles.	
Road Safety	3 - Monitor	1.Risk that individuals in our communities face unnecessary risk on a daily basis. (P:C) 2.Risk that one of our employees or shipments could be involved in a road accident. (P:A)	1.Build a "Target Zero" culture and help raise the safety performance of our suppliers. 2. Fleet managers in some key geographies use digital tools to monitor and improve driver performance	
Humanitarian Assistance	2 - Integrated into strategy	1.Risk of increased morbidity and mortality rates due to natural or man-made disasters in communities where we work. (P:A; P:C) 2.Opportunity to save lives by offering logistics support during emergencies. (O:R) 3.Opportunity to build the adaptability and agility of our teams and communities to respond in a crisis. (O:R)	1.Participate in the Logistics Emergency Teams (LET) and provide pro bono logistics services for major humanitarian emergencies.	
Refugees	3 - Monitor	1.Risk that vulnerable refugee populations in countries where we operate face years of exclusion from education and decent work, living in economically precarious situations. (P:C) 2.Opportunity to encourage entrepreneurship among refugee populations. (O:R)	1.Fundraise and provide corporate support for UNHCR and other humanitarian organizations that support refugees and internally displaced persons.	
Compliance	1 - Actively Manage	1. Risk of non-compliance with applicable laws and regulations at the global, country and local levels that would endanger business and lead to fines. (T:P; T:R) 2. Risk of losing business with customers and financial institutions if we are non-compliant for their shipments. (T:P; T:R)	1. Establish a global compliance organization that administers the compliance program. 2. Establish mandatory global training program to provide training to employees, key customers, suppliers and other external third parties. Training covers topics including anti-corruption, international trade controls and sanctions, antitrust, conflicts of interest, and other relevant compliance subjects. 3. Establish key policies and procedures to define baseline expectations for how Agility business is conducted in accordance with applicable company policies and government regulations. 4. Perform audits to check for – and confirm – adherence to applicable company as well as governmental regulatory and statutory requirements. 5. Establish an anonymous global reporting process for employees and third parties to raise compliance- and ethics-related concerns.	

Supplier Management/ Procurement	1 - Actively Manage	1. Non-compliance of a supplier exposes our business and customers to reputational risk, and could lead to fines. (T:P; T:R)	1. Use standard operating procedures to qualify the capabilities and credentials of suppliers and third parties. 2. Require suppliers and third parties to acknowledge and agree to adhere to Agility's Code of Conduct.	
			3. Conduct audits of key suppliers and third parties to check and confirm adherence to applicable national and international anti-corruption guidelines.	
Corruption	2 - Integrated into strategy	1. Risk of improper payments that violate applicable laws, resulting in fines and penalties - avoidable cost for our business and customers. (T:P; T:M)	1. See ‹Compliance› above.	
		2. Risk of shipment delays and lost cargo as retaliation for Agility's refusal to pay bribes. (T:M; P:A)	2. Establish key policies and procedures to define baseline expectation for how Agility business is conducted in accordance with applicable company policies and government regulations.	
		3. Risk that continued corruption erodes trust in emerging markets, slowing growth, increasing costs to trade and slowing transport times. (P:C)	3. Establish key anti-corruption policies and procedures designed to prevent improper payments (including improper payments made by third parties) and create effective internal controls and reporting practices.	
Supply Chain Risk and Resilience	1 - Actively Manage	1. Risk of inability to adapt to sudden or unplanned market disruptions that may be caused by any number of events, including economic, social, political, regulatory, biological or others. (P:A)	1.Business Continuity planning.	
		2. Risk that our customers are unable to adapt to sudden or unplanned market disruptions caused by any number of events, including economic, social, political, regulatory, biological, others. (P:A)	2. Provide real-time data on market trends and capacities to our customers to enable them to prepare for changes and develop resilience.	
		3. Opportunities to master agile decision-making, making Agility a go-to essential partner in a time of great volatility. (O:R)	3. Collect and share real-time updates on freight capacity, constraints, changes to import/export rules, and planning information during crises or periods of extreme volatility.	
SMEs and Sustainable Trade	2 - Integrated into strategy	1.Risk that traders struggle to affordably access global value chains, losing out on opportunities to grow. (T:M)	1.Build logistics parks in emerging markets, offering companies the opportunity to access world-class infrastructure to grow their business.	
			2.Invest in Shipa, a digital logistics platform that connects small businesses to the global economy.	
			3. Invest in ecommerce enablement and last mile delivery for SMEs across the Middle East, to help them power the business online	
Emerging Markets Growth	2 - Integrated into strategy	1.Opportunity to have the first-mover advantage by quickly building the foundation for logistics infrastructure and services in high-potential, underserved emerging markets. (O:PS)	1.Build world-class warehouses and light industrial facilities and commercialize offerings to address local market financing and affordability constraints.	
Changing workforce expectations	4 - Actively Monitor and engage	1.Risk that our current workforce cannot adapt to the demands of our changing operating context, especially automation, IOT, big data, changing social contexts, etc. (T:M)	1.Continue to provide training to help employees build digital skills to help us keep competitive in a changing context.	
		2.Risk that our work culture does not meet developing expectations in issues like work hours flexibility, child care, benefits, corporate social culture and other similar issues to which the company may be required to adapt. (R:M)	2. Invest in digial infrastructure, ways of working, and policies to allow for more flexible work arrangements, in the face of continued global volatility.	
		3.Opportunity to acquire different thinking talent that can drive innovation in our services and products to help transform the business for success in a high-tech world and changing world. (O:PS)	3.Aim to recruit employees with emphasis on agility and willingness to learn and adapt in a changing social context.	
Free Trade	3 - Monitor	1.Risk that increased protectionism and a weak international trade system will increase the volatility and instability of trade rules and relationships, increasing the complexity and cost of trade. (T:P; T:M)	1.Provide training for relevant employees on compliance with global trade rules and sanctions.	
			2.Advocate for fair and inclusive trade via partnerships with the World Economic Forum, including the Global Alliance for Trade Facilitation.	

Automation	1 - Actively Manage	1.Opportunity to improve quality and efficiency in our processes, services and products.	1.Continue to develop customer-centric, technologically enabled solutions to improve service quality and operational efficiencies.	
		2.Risk that the pace of our adoption of new technologies is not fast enough, which could lead us to lose competitive advantage.	2.Train employees on new technologies to ensure we have the skillsets to benefit from the technologies.	
		3.Risk that customers and employees may be adversely affected by scaled automation if we do not strategically include talent reallocation to roles that will continue to require human intervention to best serve our customers.	3.Include workforce reallocation to ensure displaced talent is redirected to roles that continue to require human intervention.	
ESG Investing/ Sustainable Finance	1 - Actively Manage	1.Opportunity to generate quality ROI by investing in green tech that will drive the future economy.	1.Agility Ventures invests in commercially viable green tech.	
		2.Opportunity to benefit from favorable lending terms by leveraging our sustainability targets, commitments and progress. (O:M)	2.Improving scale, accuracy and completeness in our sustainability reporting.	
		3.Risk that, if we underperform on ESG, Agility may struggle to access capital on favorable terms. (T:M)	3.Include sustainability as a component of lending discussions and in executed loans.	
Big Data	4 - Actively Monitor and engage	1.Opportunities to take advantage of data to optimize performance and improve real-time decision making. (O:PS)	1.Developing big data management applications and infrastructure required to capitalize on the vast amounts of data Agility manages on a daily basis.	
		2.Risk that new tech start-ups and innovative incumbents will introduce new, data driven business models that disrupt our industry and erode our customer base before we can adapt. (T:T)	2. Agility's partnership with MIT Media Labs is helping the company stay close to some of the most innovative thinking around data and technology in the world today.	
Data Security & privacy	2 - Integrated into strategy	1.Risk that a data breach or cyber attack compromises our systems leading to financial losses and requiring time to recover. (T:T; T:M; T:R; P:A)	1.Continuously evaluate the latest threat. Deploy & update tools & technologies to address and mute threats. Active monitoring for response within minutes.	
			2. Secure ISO 27001 – Information Security and ISO 23301 – Business Continuity for 100% of our global data centers.	
Internet of Things (IoT)	1 - Actively Manage	1.Opportunity to improve efficiency and accuracy of data collection, improving real-time decision making. (O:PS)	1.For sensitive, temprature-controlled cargo (like vaccine logistics), use of sensors allow us to provide an unprecedented level of customer service by tracking & monitoring consignments in real time. Provide added value by leveraging data to provide predictive analysis.	
		2.Risk that hacking of devices may lead to data manipulation. (O:	2.Identify and implement IoT based solutions to meet customer requirements and expectations.	
Circular Economy	3 - Monitor	1.Opportunity to generate value from common waste materials (pallets, plastic, etc. (O:PS)	1.Begin to identify and manage largest waste streams that could be reused or upcycled.	
		2.Opportunity to develop circular logistics solutions for customers that would like to harness waste streams or implement circular supply chain structures to limit their environmental impact (O:PS)	2.Engage with customers about sustainability, including the possibility to work together to develop circular solutions.	
Energy Transformation	4 - Actively Monitor and engage	1.Opportunity to reduce emissions, save on costs and improve our reputation through the generation and sourcing of renewable energy. (O:E)	1.Identify markets where renewable energy sourcing and generation are viable and commercially attractive.	
Blockchain	3 - Monitor	1.Opportunity to improve many aspects of our business, including shipment tracking, payments, provenance and safety (O:C)	1. Working with a consortium of companies to explore how digital technologies, including blockchain, can make supply chain and transportation operate faster, more efficient and safer.	
		2.Risk: investing resources into a blockchain technology that is not adopted. (R:M)		

Agility Sustainability Data 2018 - 2020

GRI-Aligned Data Table
In Q3 2021, Agility will publish an updated GRI-aligned data table on our sustainability website.

About Agility's Sustainability Disclosure

Timeline - Data and information presented here covers data and activities from Agility branded organizations for 2018 - 2020.

Entities - Unless otherwise stated, data and statistics on human rights, gender and age breakdown, health and safety, and emissions apply only to Agility Global Integrated Logistics, which is Agility›s core logistics business which contributes >75% of revenue and >80% of total headcount and operational footprint.

Additional Information - Qualitative information can be found on our website, or in our most recent sustainability report.

Data limitations - We have made every effort to ensure the accuracy of information presented, and we are continuously working to improve the quality of the data and data management systems to capture and report on non-financial information. The limitations of the data, measurement techniques and basis of calculation are described as relevant in the footnotes to the data tables.

Assurance - We have not pursued external validation for our sustainability data. All information presented has been reviewed by relevant subject matter experts within Agility and signed off by the senior management team.

Scope - This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines (G4).

Feedback - We welcome your feedback and questions. To contact Agility's sustainability team, please email us at sustainability@agility.com.

	2018	*2019*	*2020*
Group Financial Performance in millions of Kuwaiti Dinars			
Revenue	1,550	1,579	1,621
Net Revenue	498	531	494
Net Revenue Margin	32%	34%	30%
EBITDA	155	193	162
EBITDA Margin	10%	12%	10%
Net Income	81	87	42
Net Income Margin	5%	5%	3%
Total Assets	1,843	2,082	2,272
Total Liabilities	777	933	1081
ROA	4%	4%	2%
ROE	8%	8%	4%
GIL Revenue	1,153	1,125	1,224
GIL EBITDA	36	59	67
Infrastructure Revenue	412	470	413
Infrastructure EBITDA	131	135	102

Notes on Group Financial Performance
This data includes International Financial Reporting Standards (IFRS) impact

Group Economic Value *in thousands of Kuwaiti Dinars*	*2018*	*2019*	*2020*
Direct Economic Value Generated	**1,554,662**	**1,587,203**	**1,627,056**
Revenues	1,550,190	1,579,563	1,620,701
Cash rec›d as interest on financial loans	893	1086	890
Dividends rec›d from shareholdings	2,054	2,006	2,170
Cash rec›d from sale of assets	1,525	4,548	3,295
Economic Value Distributed	**1,450,392**	**1,449,435**	**1,491,673**
Cash Operating Costs	1,167,000	1,147,471	1,222,281
Salaries & Employee Benefits	227,673	236,501	220,960
Payments to Providers of Capital	45,533	52,080	35,874
Payments to Government	6,196	9,389	10,048
Community Investments	3,990	3,994	2,510
KFAS	764	817	391
NLST	2,121	2,269	1,087
Zakat	848	908	435
Agility Donations	129	131	597
Economic Value Retained	**104,270**	**137,768**	**135,383**

Notes on Economic Value Distributed
Donations to the non-profit organizations of KFAS, NLST, and Zakat are mandatory under Kuwait law, and reflect a percentage of annual profits.
For more details on Agility's donations, please see the ‹Charitable Donations and Community Investment section of this data disclosure.

	2018	*2019*	*2020*
Health & Safety (Agility GIL)			
Total Recordable Incident Rate (TRIR) Rate at which injuries involved lost workdays, restricted workdays or medical treatment occur per 200,000 hours worked	0.11	0.12	0.09
Lost Workday Case Rate (LWCR) Rate at which injuries involving lost workdays occur per year per 200,000 hours worked	0.09	0.05	0.01
Fatalities	1	1	0

ISO Certifications (Agility GIL)			
% of global headcount covered	*2018*	*2019*	*2020*
ISO 14001 - Environmental Management		47%	78%
ISO 9001 - Quality		60%	88%
ISO 18001/45001 - Health & Safety		43%	84%
ISO 27001 - Information Security		n.a.	100%
ISO 23001 - Business Continuity		n.a.	100%

People Data	2018	2019	2020
Male employees - Global	20,399	24,906	22,019
Female employees - Global	6,194	6,729	5,851
% female by job level (Agility GIL)			
Overall	23%	21%	21%
Executive	12%	10%	6%
Director	17%	18%	18%
Management	30%	28%	27%
Professional	71%	29%	29%
Support	21%	19%	19%
% female by region (Agility GIL)			
Middle East & Africa	11%	11%	9%
Asia & the Pacific	29%	29%	31%
Americas	58%	51%	49%
Europe	35%	42%	42%
Total Global Workforce	**26,593**	**26,593**	**27,870**
Part-Time employees - GLOBAL	391	370	301
Full-Time employees - GLOBAL	26,202	31,265	27,569
Employees in MEA	12,937	17,718	15,863
Employees in APAC	8,909	9,077	7,596
Employees in AMR	1,811	1,880	1,661
Employees in EUR	2,936	2,960	2,750
Total Female employees in MEA	1,428	1,918	1,482
Total Female employees in APAC	2,612	2,597	2,383
Total Female employees in AMR	917	962	822
Total Female employees in EUR	1,237	1,252	1,164
Total of Male Employees in MEA	11,509	15,800	14,381
Total of Male Employees in APAC	6,297	6,480	5,213
Total of Male Employees in AMR	894	918	839
Total Male employees in EUR	1,699	1,708	1,586
Age breakdown (Agility GIL)			
Employees under 30	6,527	8,672	6,518
Employees 30-50	15,085	17,800	16,700
Employees 50+	3,126	3,526	3,353
Employees unassigned	1,855	1,637	1,299
New hires			
Total of new hires - FEMALE	1,640	1,682	671
Total of new hires - MALE	4,407	5,822	2,697
Rate of new hires - FEMALE	27%	22%	20%
Rate of new hires - MALE	73%	78%	80%
New hires under 30	3,241	4,196	1,622
New hires 30-50	2,115	2,697	1,469
New hires 50+	180	309	160
% of New hires under 30	59%	58%	50%
% of New hires 30-50	38%	38%	45%
% of New hires 50+	3%	4%	5%
New hires in MEA	2,243	4,051	1,929
New hires in APAC	2,675	2,421	918
New hires in AMR	567	512	228
New hires in EUR	562	520	293
% of new hires in MEA	37%	54%	57%
% of new hires in APAC	44%	32%	27%
% of new hires in AMR	10%	7%	7%
% of new hires in EUR	9%	7%	9%
Employees that left			
Employees that have left - MALE	3,294	4,787	5,658
Employees that have left - FEMALE	1,173	1,494	1,631
% of employees that have left - MALE	74%	76%	78%
% of employees that have left - FEMALE	26%	24%	22%
Employees that have left - under 30	1,737	2,670	2,713
Employees that have left - 30-50	1,995	2,850	3,463
Employees that have left - 50+	372	441	789
% of employees that have left - under 30	42%	45%	39%
% of employees that have left - 30-50	49%	48%	50%
% of employees that have left - 50+	9%	7%	11%
Total employees that have left - MEA	1,965	3,135	3,834
Total employees that have left - APAC	1,688	2,263	2,452
Total employees that have left - AMR	328	410	452
Total employees that have left - EUR	486	473	551
% of employees that have left - MEA	44%	50%	53%
% of employees that have left - APAC	38%	36%	34%
% of employees that have left - AMR	7%	6%	6%
% of employees that have left - EUR	11%	8%	7%
Percentage of global employees that are unionized (estimated)	2%	3%	3%

Notes on People Data

Data Source - The information contained in this section comes from Agility's Human Capital Management system, Peoplewise.
Unionization: Agility strives to maintain an ongoing dialogue and a relationship of mutual respect with employees. We protect freedom of association and ensure all employees know how to anonymously or confidentially report grievances. All reports are investigated.
The total percentage of our workforce that is unionized is estimated to be below 3%. With regards to unionization, there are a wide variety of arrangements at Agility depending on local laws and regulations.
Some Agility employees in Australia, Brazil, Finland, Germany, Italy, Portugal, Spain, Sweden, and USA are unionized. In some EU countires, like France, employees have the right to be informed and consulted about company decisions through country and EU-level work council representation.

Resource Consumption (Agility GIL)	2018	2019	2020
Fuel Consumption			
Diesel (100% Mineral) in liters	19,073,449	23,997,862	21,101,735
Diesel (Biofuel Blend) in liters	1,002,111	291,368	1,314,936
District Heat & Steam (in kilowatt hours)		75,006	313,381
Fuel Oil in liters		4,057	3,595
Gas CNG - Compressed Natural Gas (m3)	1,206	2,462	964
Gas - Natural Gas (m3)	335,839	150,355	405,879
Gas LPG - Liquefied Petroleum Gas (m3)		238	129
Gasoline (100% Mineral)	1,982,793	804,282	749,851
Gasoline (Biofuel Blend)		15,059	11,517

Electricity	*2018*	*2019*	*2020*
Electricity (in kwh)	162,208,170	147,767,857	169,004,085
# of countries reporting electricity and fuel	40	42	49
% of headcount (GIL) reporting electricity and fuel (approx.)	95%	94%	99%
Water			
Water (liters)	208,237,074	207,962,865	237,618,031
# of countries reporting water	27	31	38
Waste and Recycling			
# of documents processed electronically (sheets of paper waste averted)	2018	2019	2020
Sheets of paper waste averted	18,000,000	18,100,000	17,000,000
% of operations that are recycling (by headcount, unless otherwise noted)			
Wood waste (pallets)			56%
Packaging (paper and cardboard)			83%
Plastic			83%
Metals			73%
Tires			
Estimated number of tires sourced			2,800
Tires recycled (as a % of total tires sourced)			40%

Notes on Resource Consumption:

Fuel - Agility has substantially improved the comprehensiveness and quality of the fuel data that we are collecting. The numbers in this section represent at least 85% of total natural gas and LPG (propane) consumption. Reduced diesel and gasoline consumption stem from efficiency measures in one of Agility›s largest fleets and the impact of COVID-19. Also, some countries that previously reported using 100% mineral diesel reported using a biofuel blend in 2020. Increases in District Heat & Steam and Natural Gas represent an increase in the comprehensiveness of the data collected.

Electricity - For electicity resource consumption and direct emissions data, we work continuously to increase the number of country-operations that are reporting, as well as the accuracy of reported data.

Water - Agility›s operations consume low amounts of water, typically for for bathrooms and kitchen areas in our facilities. In 2020, we introduced significant improvements to reporting processes that allowed us to get a more accurate picture of our global water footprint. We were able to identify and correct errors from 2018 and 2019 as well. While the difference is small for 2018 (from 209, 621,834 liters to a corrected value of 208,237,074 liters), the difference in 2019 was significant (dropped from a reported 1,187,444,743 liters to 207,962,865 liters). This was due to an error in the unit of measure reported by two smaller countries.

Waste and Recycling - Agility operates in 500+ locations around the world and capturing waste and recyling information has proven challenging. Today, major operations report if they are recycling, and many report volumes recycled and volumes of waste, by type. However, further clarification and verification on types of waste and units of measure are needed before we can report a comprehensive waste and recycling footprint. We are working to capture this data automatically and standardize categories for types and units of waste.

		2018	2019	2020
CO2e Emissions in Metric Tons) - (Agility GIL)				
Direct Emissions		**210,411**	**208,174**	**220,262**
	Scope 1	58,943	66,471	61,794
	Scope 2	105,080	98,015	111,711
	Scope 3	46,388	43,688	46,757
	Emissions Intensity (Scope 1 & 2 Emissions/Revenue (KWD))	0.11	0.1	0.11
	Emissions from Electricity	138,936	126,230	137,897
	Emissions from Fuel	71,475	81,944	82,364
Outsourced Emissions		**7,231,827**	**6,180,518**	**5,496,023**
	Air Freight	4,555,831	3,570,659	3,095,830
	Ocean Freight	2,263,483	2,213,859	2,068,239
	Road Freight	412,513	395,999	331,954

Note on Agility's Emissions Data:

GIL – the information captured here represents data from 50+ GIL country operations, representing an estimated 99% of headcount. In 2020, GIL accounted for 75% of the total business by revenue and we estimate that it accounts for more than 75% of Agility's total CO2 footprint.

ALP - We expect to have baseline data for Agility Logistics Parks (ALP) by 2023.

Subsidiaries – As of 2020, the only Agility subsidiary that reports its CO2 footprint is Tristar, a liquid fuel logistics company. Tristar's footprint can be found in their sustainability report: [hyperlink: http://www.tristar-group.co/sustainability-reports/].

Improvements in emissions reporting - For GIL resource consumption and direct emissions data, we work continuously to increase the number of country-operations that are reporting, as well as the accuracy of reported data. We continue to improve our reporting program. (A note on previous year data: In 2019, reported data for both electricity and fuel usage fluctuated by more than 20% in over 20 countries. Through verification exercises with those countries, we were able to identify the source of error, or the business reason for year-on-year inconsistencies for most entries. Based on our verification exercises, we believe some of our largest operations in the Middle East may have erroneously reported electricity usage for warehouses that are owned by Agility, but not under our operational control, for all years prior to 2019. This error led to a decrease in reported electricity usage in those operations, first in 2018 and then again, in 2019. This decrease has been largely offset by newly reported electricity consumption from countries reporting for the first time in 2018 and 2019.)

Outsourced Emissions Methodology - Our outsourced emissions are estimated on a distance-based method using factors from UK DEFRA, and should be taken as an «at least» estimate. The methodology used to calculate these emissions has been granted limited assurance by Carbon Trust, a UK-based organization. The shipment data comes from Agility GIL›s global operating system, and covers shipments coordinated by GIL.

Progress towards our goal - In 2020, our direct emissions increased by 6% due to Improvements in the accuracy and comprehensiveness of the data that we are collecting, as well as an expansion of operations in the Middle East, including chilled and frozen warehousing space for storage of pharmaceuticals.

Initiatives - We continue to pursue measures to reduce our environmental impact. Please see our latest initiatives on our Greener Operations page on our website [https://www.sustainability.agility.com/environment/greener-operations/]

Customer partnerships - Agility works with customers and suppliers to reduce supply chain emissions. Please see our latest initiatives on our Greener Supply Chains page on our website [https://sustainability.agility.com/environment/greener-supply-chains/]

More information - For detailed inquiries into our resource consumption reporting process, please reach out to csr@agility.com.

	2018	2019	2020
Charitable Donations and Community Investments			
Number of people positively impacted	22,032	44,473	138,516
# of Agility volunteers	2,298	969	366
# of people educated with Agility support	15,496	6,787	3,173
Total no. of people impacted since 2010	1,699,638	1,743,692	1,881,837
Total community and volunteer projects	123	78	56
Asia	40	19	22
Americas	23	15	7
Europe	23	18	7
Middle East	37	26	20
Total # of community projects since 2010	1,516	1,604	1,677
Donations and Fundraising (in KWD)			
Total annual corporate and employee giving	136,464	153,981	624,095
Agility Corporate Giving	171,019	223,220	508,732
Donations and funds raised by local offices	129,130	130,815	115,363
Direct Employee donations (online/payroll)	7,334	23,166	27,002

Notes on Donations

Volunteers - Agility's sustainability initiatives have historically relied heavily on employee volunteers, but in COVID-19, due to worldwide lockdowns, in-person involvement in various activities went down.

Source of data - All information is tracked through our community investments database and through out finance systems.

Donations by local offices - Include any local community projects, or matching projects, undertaken in a country operations. Starting in 2020, donations and funds raised by local offices includes the total of a corporate charitable donation in India required by law. Also included in this category are funds raised through the DGS Paralyzed Veterans Golf Open, which is a flagship annual DGS charitable event in the United States that has been running since 2008, but which did not occur in 2020 due to COVID-19.

Direct Employee donations - Account for both funds contributed directly by employee donations as well as those raised from friends and family or the general public by employees through Agility events and other fundraising activities. Note that Agility does not «count» direct employee donations in the first table of this data disclosure (economic value distributed), but is reporting them here as an important KPI of our program. In 2020, employee fundraising went up primarily in support of Australian bushfires relief and support after the Beirut explosion.

Agility Corporate Giving encompasses our corporate donations and education fund budget, the CEO and Chairwoman›s donations, and, for 2020, the value of in-kind donations to public sector organizations to help combat COVID-19. Our Corporate donations budget goes to support community and education investment projects around the world. Projects are often in the form of matching donations or grants to local offices. Details can be found on our website at [https://sustainability.agility.com/community/community-investments/]

Training and Development	2018	2019	2020
Online Training			
Employees that accessed online training courses			7,023
Leadership Development			
Graduates of management development programs (global and regional)			225
Men			163
Women			62
Ethics			
Employees Trained	11,719	12,169	8,556
Ethics courses completed	30,558	52,141	18,515

Notes on training and development:

- Computer users vs. non-computer users: Today, our metrics are based primarily around online and management training (which imply computer-using staff). There may be additional local training courses conducted, for both computer users and non-comptuer using employees in operations (i.e. warehouse workers, drivers), which are not captured in this data.

- Ethics: Core ethics and anti-bribery courses are assigned to all computer-based employees. Additional courses are assigned depending on what is needed for an employee to know depending on the scope of their job.

Fair Labor Program Targets	2018	2019	2020
100% of countries identify their own human rights risks	96%	90%	97%
100% of employees trained on human rights	69%	87%	90%
100% of largest emerging market operations audited every 2 years	46%	85%	92%

Notes on Fair Labor

Country Level Progress - For country-level fair labor data, please refer to sustainability.agility.com [https://www.sustainability.agility.com/our-people/human-rights/]

How we measure progress:

(1) 100% of countries understand human rights risks: about 70 country operations across the globe are required to conduct the Fair Labor Self-Assessment every two years, as well as training for human resources managers (requirement based on having a headcount greater than 40). The denominator for this percentage is the headcount covered by the number of countries that have completed both the self-assessment and management training.

(2) 100% of employees trained: For operations in the Middle East, Africa and Asia, human resources managers are required to conduct an employee roll-out to ensure that all employees, including subcontractors, are aware of their rights and how to report a grievance. For operations in the Americas and Europe, human rights managers are trained on the program, and are required to incorporate the fair labor training video into onboarding. The percentage here is of total headcount in countries that fulfill the requirements based on their region and scale.

(3) 100% of full-service emerging market operations audited: We assess human rights risk for our business on the basis of the scale of our operations, the presence of potentially vulnerable employees, including subcontracted or foreign migrant workers, and the country regulatory environment. We have identified 25 operations in the Middle East and Asia Pacific, reflected in the table above, for full participation in our Fair Labor program. For these countries, in addition to the first 2 steps, they are required to undergo a 3rd party social audit every 2-3 years. This audit must cover all aspects of the fair labor program. If no 3rd party audit is requested by a customer, the operations must voluntarily undergo an audit.

Agility Humanitarian Operations & Preparedness Projects 2019 - 2020

2020

	Collaborated with other logistics companies to provide information about PPE manufacturing and capacity, supply chain capacity and constraints, air and ocean cargo capacities, import/export risks, constraints, safe cargo handling, etc. to facilitate global response led by the World Health Organization and the World Food Programme*
Global COVID-19 humanitarian response	Provided free storage for WHO partners in Malaysia, Dubai and Ghana*
	Collaborated with the World Economic Forum to enable companies to donate resources and supply chain services to humanitarian organizations*
	Developed a free, online humanitarian air capacity dashboard for responders to use to determine best air freight routing of humanitarian cargo, including risk assessments and sourcing locations for essential health supplies*
Kuwait COVID-19	Delivered over 40 truckloads of food and other items to people in lockdown areas with Kuwait Red Crescent Society
Middle East - multiple countries	COVID-19 response efforts, including a food security plan, donated warehouse space and transport services, and online tools to receive and monitor requests
Indonesia	Transport sanitation materials to beneficiaries in 23 different locations across the Indonesia archipelago for a UN agency and NGO partners*
Lebanon	Provided meals, storage and distribution services, collect donations to support disaster relief efforts after the Beirut port explosion for International Medical Corps* Transported a shipment of emergency supplies for International Health Partners
Indonesia	Agility Indonesia supplied emergency kits for 160 employees affected by floods
Malaysia	Distribute basic essentials to families affected by floods
Uganda	Provide free air freight transportation of 50,000 medical gowns to Uganda with a global air carrier and UN agency
Mozambique	Transport personal protective equipment (PPE) from South Africa, to seven hospitals in Mozambique (supporting PLeDGE Health a U.S.-based NGO)
Philippines	Donation of transport services to deliver aid to evacuation centers after Tall Volcano eruption with Philippines Red Cross
Uganda	National Aviation Services donated 7,000 COVID-19 Rapid Diagnostic Testing (RDT) kits to the Ministry of Health in Uganda

2019

Lebanon	Fleet Management Training workshop for humanitarian logisticians
Malaysia	Delivery of donated relief materials for flood-affected families in Johor Bahru
Bangladesh	Customers Workshop in Cox's Bazaar with the Logistics Emergency Team*
Mozambique	Cyclone Idai Flood Relief Donation to hasten delivery of aid materials
Bahamas	Hurricane Dorian Relief Fundraising for World Food Kitchen
South Sudan	Agility Tristar warehouse and distribution safety training for humanitarian logisticians
Bangladesh	Preparedness activities with the Logistics Emergency Teams*
Indonesia	Preparedness activities with the Logistics Emergency Teams*
Indonesia	Donation of trucks and logistics coordination in Palu, Indonesia after a tsunami*
Iraq	Donation of customs clearance process documentation and management support*
Lebanon	Donation of humanitarian logistics/fleet operations training to Red Cross/Crescent*
Nigeria	Logistics Capacity Assessment for port clearance process and timelines (import constraint mapping)
Somalia	Donation of consultative services to help the World Food Programme build local market resilience

Notes on Humanitarian Partnerships

Agility has responded to 75+ humanitarian crises since 2006, in Bangladesh, Chile, Ecuador, Ghana, Haiti, Indonesia, Iraq, Japan, Myanmar, Nepal, Pakistan, the Philippines, Yemen, the Horn of Africa and more.

LETs - * Projects denoted with a star were conducted in partnership with the Logistics Emergency Teams (LETs), a private-public partnership that mobilizes some of the world's leading logistics companies to donate services and expertise during major humanitarian crises in support of the UN World Food Programme-led Logistics Cluster.

Bilateral contributions - Agility also contributes bilaterally via local humanitarian partners in some instances in which the LETs do not deploy.

For more information, please see: https://sustainability.agility.com/community/humanitarian-operations/