Gulf Warehousing Company (Q.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF WAREHOUSING COMPANY (Q.S.C.)

Report on the financial statements

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

Board of Directors’ responsibility for the financial statements

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

Auditors’ responsibility

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

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

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

Opinion

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF WAREHOUSING COMPANY (Q.S.C.) (CONTINUED)

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Group, an inventory count has been conducted in accordance with established principles, and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We further confirm that the financial information included in the Annual Report of the Board of the Directors is in agreement with the books and records of the Group. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Group or on its financial position.

Ziad Nader
of Ernst & Young
Auditor's Registration No: 258

Date: 15 January 2013
Doha

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2012

	Notes	***2012*** ***QR***	*2011* *QR*
Revenue	4	**479,726,841**	419,574,107
Direct costs	5	**(323,137,394)**	(305,351,556)
GROSS PROFIT		**156,589,447**	114,222,551
Other income		**84,430**	115,034
Valuation gains from investment properties	10	**4,051,200**	4,080,905
General and administrative expenses	6	**(33,585,380)**	(29,877,336)
Staff costs		**(30,235,243)**	(21,711,913)
Net impairment loss on trade receivables	14	**(2,881,401)**	(600,000)
OPERATING PROFIT		**94,023,053**	66,229,241
Finance income		**258,459**	1,417,308
Finance costs		**(12,383,137)**	(5,912,470)
Loss on disposal of available for sale investments		**(1,014,124)**	-
PROFIT FOR THE YEAR		**80,884,251**	61,734,079
Attributable to:			
Owners of the parent		**84,922,341**	61,733,037
Non-controlling interest		**(4,038,090)**	1,042
		80,884,251	61,734,079
BASIC AND DILUTED EARNINGS PER SHARE (Attributable to owners of the parent) (Expressed in QR per share)	7	**2.14**	1.56

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	2012 ***QR***	*2011* *QR*
PROFIT FOR THE YEAR	**80,884,251**	61,734,079
Other comprehensive income		
Transferred to income statement on disposal of available for sale investments	**958,798**	-
Net unrealized gain on revaluation of available for sale investments	**-**	(706,832)
Other comprehensive income for the year	**958,798**	(706,832)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**81,843,049**	61,027,247
Attributable to:		
Owners of the parent	**85,881,139**	61,026,205
Non controlling interests	**(4,038,090)**	1,042
	81,843,049	61,027,247

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	*2012* *QR*	*2011* *QR*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**677,591,232**	336,144,603
Projects in progress	9	**299,141,226**	330,298,753
Investment properties	10	**99,427,795**	95,376,595
Intangible assets	11	**148,033,833**	154,680,648
Available-for-sale investments	13	**-**	1,863,152
		1,224,194,086	918,363,751
Current assets			
Inventories		**10,048,235**	10,321,977
Trade and other receivables	14	**228,421,911**	239,582,609
Bank balances and cash	15	**116,969,115**	80,653,809
		355,439,261	330,558,395
TOTAL ASSETS		**1,579,633,347**	1,248,922,146
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**396,341,460**	396,341,460
Legal reserve	17	**221,354,861**	221,354,861
Cumulative changes in fair value		-	(958,798)
Retained earnings		**90,109,816**	66,660,794
Equity attributable to the equity holders of the parent		**707,806,137**	683,398,317
Non-controlling interests		**(607,048)**	3,431,042
Total equity		**707,199,089**	686,829,359

Continued…..

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2012

	Notes	*2012* *QR*	*2011* *QR*
Non-current liabilities			
Loans and borrowings	19	**667,252,034**	346,194,671
Employees end of service benefits	20	**11,379,504**	7,939,438
		678,631,538	354,134,109
Current liabilities			
Trade payables and accruals	21	**79,183,279**	107,991,248
Loans and borrowings	19	**89,452,819**	75,298,520
Retention payable		**25,166,622**	24,668,910
		193,802,720	207,958,678
Total liabilities		**872,434,258**	562,092,787
TOTAL EQUITY AND LIABILITIES		**1,579,633,347**	1,248,922,146

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Mohamed Ismail Al Emadi — Chairman
Sheikh Fahed Bin Hamad Bin Jasim Al Thani — Vice Chairman

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	***2012*** ***QR***	*2011* *QR*
OPERATING ACTIVITIES			
Profit for the year		**80,884,251**	61,734,079
Adjustments for :			
Depreciation	8	**38,853,649**	32,870,747
Amortisation of intangible assets	11	**6,646,815**	6,646,815
Valuation gains from investment properties	10	**(4,051,200)**	(4,080,905)
Loss on disposal of available for sale investments		**1,014,124**	-
Impairment of trade receivable (net)	14	**2,881,401**	600,000
Gain on disposal of property, plant and equipment		**(84,430)**	(21,159)
Provision for employees' end of service benefits	20	**4,383,515**	2,420,338
Finance costs		**12,383,137**	5,912,470
Interest income		**(258,459)**	(1,417,308)
Operating cash flows before changes in working capital		**142,652,803**	104,665,077
Working capital adjustments:			
Inventories		**273,742**	(8,869,380)
Trade and other receivables		**8,279,297**	(76,596,144)
Trade payable and accruals		**(29,286,723)**	64,096,102
Retention payable		**497,712**	7,603,022
Cash from operating activities		**122,416,831**	90,898,677
Finance costs paid		**(12,383,137)**	(5,912,470)
Employee end of service benefits paid	20	**(943,449)**	(720,442)
Contribution to social and sports development fund		**(1,543,352)**	(1,275,189)
Interest income received		**258,459**	1,417,308
Net cash from operating activities		**107,805,352**	84,407,884
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	**(49,244,878)**	(16,462,660)
Additions to project in progress	9	**(299,997,437)**	(191,581,821)
Net proceeds from disposal of available for sale investments		**1,807,826**	-
Acquisition of subsidiary net of cash acquired		-	(26,665,879)
Proceeds from disposal of property, plant and equipment		**183,994**	184,065
Net cash used in investing activities		**(347,250,495)**	**(234,526,295)**
FINANCING ACTIVITIES			
Net movement in loans and borrowings		**335,211,662**	155,464,613
Contribution from non-controlling interest		-	3,430,000
Dividends paid	18	**(59,451,213)**	(25,000,000)
Net cash from financing activities		**275,760,449**	133,894,613
INCREASE IN (DECREASE) CASH AND CASH EQUIVALENTS		**36,315,306**	(16,223,798)
Cash and cash equivalents at 1 January		**80,653,809**	96,877,607
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	**116,969,115**	80,653,809

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the parent						
	Share capital	*Legal reserve*	*Cumulative changes in fair values*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
	QR	*QR*	*QR*	*QR*	*QR*	*QR*	*QR*
Balance at 1 January 2011	250,000,000	67,696,321	(251,966)	31,471,109	348,915,464	-	348,915,464
Profit for the year	-	-	-	61,733,037	61,733,037	1,042	61,734,079
Other comprehensive loss	-	-	(706,832)	-	(706,832)	-	(706,832)
Total comprehensive income for the year	-	-	(706,832)	61,733,037	61,026,205	1,042	61,027,247
Issue of share capital (Notes 16 and 17)	146,341,460	153,658,540	-	-	300,000,000	-	300,000,000
Dividends paid (Note 18)	-	-	-	(25,000,000)	(25,000,000)	-	(25,000,000)
Contribution to Social and Sports Fund (Note 21a)	-	-	-	(1,543,352)	(1,543,352)	-	(1,543,352)
Contribution from non-controlling interests	-	-	-	-	-	3,430,000	3,430,000
Balance at 31 December 2011	396,341,460	221,354,861	(958,798)	66,660,794	683,398,317	3,431,042	686,829,359
Profit for the year	-	-	-	84,922,341	84,922,341	(4,038,090)	80,884,251
Other comprehensive income	-	-	958,798	-	958,798	-	958,798
Total comprehensive income for the year	-	-	958,798	84,922,341	85,881,139	(4,038,090)	81,843,049
Dividends paid (Note 18)	-	-	-	(59,451,213)	(59,451,213)	-	(59,451,213)
Contribution to Social and Sports Fund (Note 21a)	-	-	-	(2,022,106)	(2,022,106)	-	(2,022,106)
Balance at 31 December 2012	**396,341,460**	**221,354,861**	-	**90,109,816**	**707,806,137**	**(607,048)**	**707,199,089**

The attached notes 1 to 28 form part of these consolidated financial statements.

1 ACTIVITIES

Gulf Warehousing Company (Q.S.C.) (the "Company") is a public shareholding company incorporated in the State of Qatar under commercial registration number 27386. The address of the registered office of the Company is at PO Box 24434, 'D' Ring road, Doha, State of Qatar. The Company together with its subsidiaries (the "Group") specializes in providing set-up, establishment, and management of all types of warehouses for storage, freight forwarding and other ancillary services. The Company is listed at Qatar Exchange.

The consolidated financial statements of the Company for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 15 January 2013.

2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Gulf Warehousing Company Q.S.C. and its subsidiaries (together referred to as the "Group"). These consolidated financial statements are prepared using uniform accounting policies. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by the Group.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. All inter-group balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The principal subsidiaries of the Group including branches of the Company, incorporated in the consolidated financial statements of are as follows:

Name of subsidiary	*Country of incorporation*	*Principal activities*	*Group effective shareholding %*	
			2012	*2011*
Agility WLL	Qatar	Logistics and transportation	100%	100%
GWC Chemical WLL	Qatar	Chemical trading & transport	100%	100%
GWC Project Co WLL	Qatar	Investing in special projects	100%	100%
GWC Global Transport LLC	UAE	Warehousing and transportation	100%	-
Imdad Sourcing & Logistic Group WLL	Qatar	Trading in food stuff and other consumables	51%	51%
GWC Saudi Arabia – Branches in Riyadh, Dammam & Jeddah	KSA	Preparation, Development and Management of warehouses	100%	100%
Gulf Warehousing Company Limited	Republic of Nigeria	Warehousing and transportation	100%	-

Non controlling interests

Non controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the fair value of the share of the net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is recognized directly in the consolidated statement of income in the year of acquisition.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis, except for investment properties which are measured at fair value.

The consolidated financial statements have been presented in Qatar Riyals (QR), which is the Group's presentation currency.

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

Changes in accounting policies and disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012, which did not have any impact to the Group:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment)
IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective. The Group is currently considering the implications of the new IFRSs which are effective for future accounting periods and has not early adopted any of the new Standards as listed below:

Standard	*Title*
IAS 1	Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (Effective for annual periods beginning on or after 1 July 2012)
IAS 19	Employee Benefits (Revised) (Effective 1 January 2013)
IAS 28	Investments in Associates and Joint Ventures (Effective 1 January 2013)
IAS 32	Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 (Effective 1 January 2014)
IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7 (Effective 1 January 2013)
IFRS 9	Financial Instruments: Classification and Measurement (Effective 1 January 2015)
IFRS 10	Consolidated Financial Statements, IAS 27 Separate Financial Statements (Effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (Effective 1 January 2013)
IFRS 13	Fair Value Measurement (Effective 1 January 2013)

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies

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

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

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

Other revenue
Other revenue represents income generated by the Group that arises from activities outside of the provision for logistic operations and freight forwarding, which are recognised upon completion of the services.

Interest income
Interest income is recognised using the effective interest rate method.

Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and/or impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25ears
Office equipment	3 to 5 years
Furniture and fixtures	4 years
Warehouse equipment	5 to 25 years
Motor vehicles	5 to 12 years
Tools and equipment	4 years

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

An item of property, plant and equipment and any significant part initially recognised 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 when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment properties
Investment properties are properties (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both. A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property.

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. The initial cost of a property interest held under a lease and classified as an investment property is recognised at the lower of the fair value of the property and the present value of minimum lease payments. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gain or loss arising from changes in the fair values of investment property is included in the consolidated statement of income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer.

Investment property is 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. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

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.

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 Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in 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 an asset or liability that is a financial instrument and within the scope of *IAS 39 Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

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 gain is recognised in profit or loss.

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

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

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 amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised 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 the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life 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 income statement when the asset is derecognised.

A summary of the useful lives and amortisation methods of Group's intangible assets other than goodwill are as follows:

		Customer contracts and relate customer relationships	*Brand names*
Useful lives	:	Finite (4-10 years)	Finite (10 years)
Amortization method used	:	Amortized on a straight line basis over the periods of availability.	Amortized on a straight line basis over the periods of availability.
Internally generated or Acquired	:	Acquired	Acquired

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Available for sale investments
All available-for-sale investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

After initial recognition, available for sale investments which have a quoted market price and whose fair value can be reliably measured, are remeasured at fair value. The unrealised gains and losses on remeasurement to fair value are reported as a separate component of equity until the investment is sold, collected or otherwise disposed, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income.

Inventories
Materials and supplies inventories are stated at weighted average cost with appropriate adjustments for provisions against surplus inventory, deterioration, obsolescence or other loss in value. Inventories comprise trading stock, spares and consumables as at the reporting date.

Trade and other receivables
Trade receivables are carried at original invoiced amount less impairment for non-collectability of these receivables. An allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of cash flows comprise bank balances and cash and short-term deposits with an original maturity of three months or less.

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 derecognised when:

(a) The rights to receive cash flows from the asset have expired
(b) 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
    (i) the Group has transferred substantially all the risks and rewards of the asset, or
    (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Impairment of financial assets (continued)
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

Loans and borrowings
Loans and borrowings are recognized initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, Loans and borrowings are measured at amortized cost, using the effective profit method, with any differences between the cost and final settlement values being recognised in the consolidated statement of income over the period of borrowings. Installments due within one year at amortised cost are shown as a current liability.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees in accordance with employment contracts and Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Also the Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff cost in the consolidated statement of income. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Trade payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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 income statement.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

Group as a lessee
Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight line basis over the lease term.

Foreign currency translation
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting date. All differences are taken to the consolidated statement of income.

Fair values
The fair value of financial investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets at the close of business on the reporting date.

For financial instruments where there is no active market, the fair value is determined by using discounted cash flow analysis or reference to broker or dealer price quotations. For discounted cash flow analysis, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

4 REVENUE

	2012 QR	*2011 QR*
Logistic operations	**297,476,141**	223,891,652
Freight forwarding income	**148,711,489**	152,920,667
Others	**33,539,211**	42,761,788
	479,726,841	419,574,107

5 DIRECT COSTS

	2012 QR	*2011 QR*
Freight forwarding charges	**100,474,639**	115,634,507
Staff costs	**68,516,761**	59,976,909
Logistic costs	**44,274,007**	21,858,217
Depreciation (Note 8)	**36,309,360**	30,578,711
Material purchases	**32,724,672**	38,393,894
Repairs and maintenance	**17,035,641**	14,538,486
Fuel	**9,386,167**	6,642,624
Water and electricity	**4,921,989**	3,454,406
Manpower subcontract charges	**2,704,681**	1,390,228
Insurance	**1,849,520**	2,865,428
Others	**4,939,957**	10,018,146
	323,137,394	305,351,556

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 ***QR***	*2011* *QR*
Amortisation of intangible assets (Note 11)	**6,646,815**	6,646,815
Board of Directors remuneration and attendance fees	**4,360,279**	3,252,505
Rent	**3,608,770**	4,261,643
Communication and postage	**2,865,025**	3,594,046
Depreciation (Note 8)	**2,544,289**	2,292,036
Legal and professional fees	**1,554,191**	1,598,393
License and registration fees	**1,391,798**	1,144,469
Employee benefits	**1,343,108**	768,446
Travelling expenses	**1,333,294**	383,378
Repairs and maintenance	**1,329,750**	1,247,479
Advertisement	**1,305,107**	1,459,682
Water and electricity	**531,741**	458,624
Printing and stationery	**321,235**	430,108
Government fees and expenses	**102,146**	121,859
Other expenses	**4,347,832**	2,217,853
	33,585,380	29,877,336

7 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2012	*2011*
Net profit for the year attributable to owners of the parent (QR)	**84,922,341**	61,733,037
Weighted average number of shares	**39,634,146**	39,634,146
Basic and diluted earnings per share (QR)	**2.14**	1.56

The weighted average numbers of shares have been calculated as follows:

	2012	*2011*
Qualifying shares at 1 January	**39,634,146**	25,000,000
Issue of new ordinary shares	**-**	14,634,146
Balance at 31 December	**39,634,146**	39,634,146

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings QR	*Office equipment QR*	*Furniture & fixtures QR*	*Warehouse equipment QR*	*Motor vehicles QR*	*Tools & equipment QR*	*Total QR*
Cost:							
At 1 January 2012	249,459,876	11,941,465	7,021,470	46,217,461	136,590,139	1,000,180	452,230,591
Additions	24,970,294	9,099,509	3,330,317	8,313,133	3,336,390	195,235	49,244,878
Disposals/transfers	324,895,462	4,432,369	1,701,157	125,976	(188,500)	-	330,966,464
At 31 December 2012	599,325,632	25,473,343	12,052,944	54,656,570	139,738,029	1,195,415	832,441,933
Depreciation:							
At 1 January 2012	28,782,912	7,678,339	4,234,936	18,719,275	56,576,655	93,871	116,085,988
Charge for the year	14,835,095	3,547,557	1,819,870	4,179,974	14,176,097	295,056	38,853,649
Disposals/transfers	-	-	-	-	(88,936)	-	(88,936)
At 31 December 2012	43,618,007	11,225,896	6,054,806	22,899,249	70,663,816	388,927	154,850,701
Net carrying amounts:							
At 31 December 2012	**555,707,625**	**14,247,447**	**5,998,138**	**31,757,321**	**69,074,213**	**806,488**	**677,591,232**

The depreciation charge has been allocated in the consolidated statement of income as follows:

	2012 QR	*2011 QR*
Direct costs	**36,309,360**	30,578,711
General and administration expenses	**2,544,289**	2,292,036
	38,853,649	32,870,747

8 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings *QR*	*Office equipment* *QR*	*Furniture & fixtures* *QR*	*Warehouse equipment* *QR*	*Motor vehicles* *QR*	*Tools & equipment* *QR*	*Total* *QR*
Cost:							
At 1 January 2011	128,794,581	6,707,730	3,951,530	20,946,193	106,105,989	133,244	266,639,267
Acquisition of subsidiary	31,523,736	2,014,586	1,722,820	15,399,447	35,785,195	1,545	86,447,329
Additions	5,069,295	2,962,779	896,743	5,834,952	833,500	865,391	16,462,660
Disposals/transfers	84,072,264	256,370	450,377	4,036,869	(6,134,545)	-	82,681,335
At 31 December 2011	249,459,876	11,941,465	7,021,470	46,217,461	136,590,139	1,000,180	452,230,591
Depreciation:							
At 1 January 2011	18,463,898	5,696,849	1,421,930	11,177,951	46,676,886	11,264	83,448,778
Charge for the year	10,141,884	1,857,235	1,981,306	4,573,436	14,234,279	82,607	32,870,747
Disposals/transfers	177,130	124,255	831,700	2,967,888	(4,334,510)	-	(233,537)
At 31 December 2011	28,782,912	7,678,339	4,234,936	18,719,275	56,576,655	93,871	116,085,988
Net carrying amounts:							
At 31 December 2011	220,676,964	4,263,126	2,786,534	27,498,186	80,013,484	906,309	336,144,603

Note:

Motor vehicles and warehouse equipments have been pledged against certain loans and borrowings (Note 19).

9 PROJECTS IN PROGRESS

	2012	*2011*
	QR	*QR*
At 1 January	**330,298,753**	235,651,519
Additions	**299,997,437**	191,581,821
Net transfer to property, plant and equipment	**(331,154,964)**	(83,077,778)
Transfer to investment properties (Note 10)	-	(13,856,809)
	299,141,226	330,298,753

Projects in progress comprise the cost of assets acquired and under construction that are not available for use as at the end of the reporting period. These assets comprise mainly of constructions in Logistic Village Qatar Phase 3, Kharaama substation work and construction of warehouse at Mesaeed, upon completion, these will be used for providing logistics services and will be reclassified accordingly.

Additions include borrowing costs capitalised amounting to QR 14.2 Million (2011: QR 6.7 Million)

10 INVESTMENT PROPERTIES

	2012	*2011*
	QR	*QR*
At 1 January	**95,376,595**	41,741,015
Acquisition of subsidiary	-	35,697,866
Transfer from property, plant and equipment	-	13,856,809
Net gain from fair value adjustment	**4,051,200**	4,080,905
At 31 December	**99,427,795**	95,376,595

Investment properties are stated at fair value, which has been determined based on valuations performed by Al Haque Rental and Real Estate, an accredited independent court approved valuation specialist located in Doha, State of Qatar. The above investment properties are located in the State of Qatar.

11 INTANGIBLE ASSETS

	Goodwill	*Customer contracts and related customer relationships*	*Brand name*	*Total*
	QR	*QR*	*QR*	*QR*
Cost:				
At 1 January 2012 and 31 December 2012	98,315,463	10,231,500	52,780,500	161,327,463
Amortisation:				
At 1 January 2012	-	1,368,765	5,278,050	6,646,815
Amortisation during the year	-	1,368,765	5,278,050	6,646,815
At 31 December 2012	-	2,737,530	10,556,100	13,293,630
Net book value:				
At 31 December 2012	**98,315,463**	**7,493,970**	**42,224,400**	**148,033,833**

Note:
Customer contracts and the related customer relationships and brand names represent intangible assets acquired through business combination in 2011. The brand name is assessed to have 10 years of useful life. As at 31 December 2012, these assets were tested for impairment, no impairments were required.

11 INTANGIBLE ASSETS (continued)

	Goodwill *QR*	*Customer contracts and related customer relationships* *QR*	*Brand name* *QR*	*Total* *QR*
Cost:				
At 1 January 2011	-	-	-	-
Acquisition of a subsidiary	98,315,463	10,231,500	52,780,500	161,327,463
At 31 December 2011	98,315,463	10,231,500	52,780,500	161,327,463
Amortisation:				
At 1 January 2011	-	-	-	-
Amortisation during the year	-	1,368,765	5,278,050	6,646,815
At 31 December 2011	-	1,368,765	5,278,050	6,646,815
Net book value:				
At 31 December 2011	98,315,463	8,862,735	47,502,450	154,680,648

12 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIFE

The Group has identified the following business activities as cash generating units:

- Logistics
- Freight Forwarding operations

The Group has also determined that the above constitute the cash-generating units for testing the impairment of goodwill and intangible asset with indefinite life.

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

	Carrying amount of the goodwill	
	2012	*2011*
Cash generating units:	***QR***	*QR*
Logistics	**53,090,350**	53,090,350
Freight Forwarding operations	**45,225,113**	45,225,113
Total	**98,315,463**	98,315,463

The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management for 2013 to 2017 and assuming an average annual growth rate of 23% for the four year period, which is in the range of the current short term growth rate for the logistics industry. The discount rate applied to cash flow projections is 16%.

As a result of this exercise, At 31 December 2012, no impairments were noted. (2011: Nil).

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 budget period.

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

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.

13 AVAILABLE- FOR- SALE INVESTMENTS

	2012 ***QR***	*2011* *QR*
Quoted equity investments	-	1,863,152

14 TRADE AND OTHER RECEIVABLES

	2012 ***QR***	*2011* *QR*
Trade receivables	**138,768,890**	113,198,495
Advances to suppliers	**40,288,880**	51,939,351
Accrued revenue	**24,055,905**	38,640,591
Prepayments	**21,114,188**	27,176,772
Other receivables	**4,194,048**	8,627,400
	228,421,911	239,582,609

At 31 December, financial assets at nominal value of QR 6,904,675 (2011: QR 4,023,274) were impaired.

	2012 ***QR***	*2011* *QR*
At 1 January	**4,023,274**	1,190,667
Acquisition of a subsidiary	**-**	2,501,748
Charge for the year	**2,881,401**	600,000
Written off	-	(269,141)
At 31 December	**6,904,675**	4,023,274

At 31 December, the ageing of unimpaired financial assets is as follows:

			Past due but not impaired			
	Total *QR*	*Neither past due nor impaired* *QR*	*0-30 days* *QR*	*31-60 Days* *QR*	*61-90 Days* *QR*	*>90 days* *QR*
2012	**138,768,890**	**61,655,658**	**17,908,892**	**9,302,138**	**7,173,491**	**42,728,711**
2011	113,198,495	44,600,825	25,286,567	14,530,009	9,398,364	19,382,730

15 CASH AND CASH EQUIVALENTS

	2012 ***QR***	*2011* *QR*
Bank balances and cash	**116,969,115**	24,653,809
Term deposits with an original maturity of less than 90 days	-	56,000,000
	116,969,115	80,653,809

16 SHARE CAPITAL

Authorised, issued and paid up capital	***2012*** ***QR***	*2011* *QR*
At 1 January	**396,341,460**	250,000,000
Issue of share capital	-	146,341,460
At 31 December	**396,341,460**	396,341,460

Authorised, issued and paid up capital	***2012*** *Number of shares*	*2011*
At 1 January	**39,634,146**	25,000,000
Issue of shares	-	14,634,146
At 31 December	**39,634,146**	39,634,146

17 LEGAL RESERVE

In accordance with the Qatar Commercial Companies Law No. 5 of 2002, 10% of the profit for the year is required to be transferred to a legal reserve, until such reserve equals 50% of the issued capital. As at the end of the reporting period, the legal reserve is above 50% of the issued capital, therefore the Company has resolved to discontinue any further transfers to the legal reserve.

The reserve is not normally available for distribution, except in the circumstances stipulated by the above mentioned law.

18 DIVIDENDS PAID

During the year, the Company paid a dividend of QR 1.5 per share totaling QR 59.4 million for the year ended 31 December 2011(QR 1 per share totaling QR 25 million for the year ended 31 December 2010).

19 LOANS AND BORROWINGS

	2012	*2011*
	QR	*QR*
LVQ term loans (i)	**650,550,913**	329,577,279
Vehicle loans (ii)	-	13,457,712
Other project loans (iii)	**11,122,880**	55,017,923
Other term loans (iv)	**95,031,060**	23,440,277
	756,704,853	421,493,191

	2012	*2011*
	QR	*QR*
Allocated in the consolidated statement of financial position as:		
Current portion	**89,452,819**	75,298,520
Non-current portion	**667,252,034**	346,194,671
	756,704,853	421,493,191

Notes:

(i) A term loan facility of QR 500 Million was obtained from a local bank to finance the construction and development of Logistic Village ("LVQ") located in Street # 52 of Industrial Area. The repayment on this facility began in April 2012. The term loan facility carries financing charges at commercial rates.

The above loan is guaranteed by the Company's land and building under construction, and assignment of all revenues from the project to the loan account with the lender.

(ii) These loans have been obtained from local financial institutions to finance the acquisition of motor vehicles. These vehicle loans carry financing costs at commercial rates. The loans are secured against motor vehicles. These loans were settled in full during the year.

(iii) These term loans have been taken from local financial institutions to finance the other capital projects of the Company. These loans carry financing costs at commercial rates. The loans are secured against warehouse equipment and other project related property.

(iv) Term Loans amounting to QR 73 Million have been obtained from local financial institutions to finance other capital projects of the Company. The repayment on this facility begins in November 2013. These loans carry financing costs at commercial rates and are secured against Company's revenue. Balance amounting to QR 22 Million represents loans obtained by Imdad from a local financial institution to finance working capital and these loans carry financing cost at commercial rates. These facilities have been secured based on corporate guarantee of the Company and assignment of revenue proceeds to the account with the lender.

20 EMPLOYEES END OF SERVICE BENEFITS

Movements in the employees' end of service benefits provision are as follows:

	2012	*2011*
	QR	*QR*
Provision at 1 January	**7,939,438**	1,595,469
Acquisition of subsidiary	-	4,644,073
Provided during the year	**4,383,515**	2,420,338
End of service benefits paid	**(943,449)**	(720,442)
Provision at 31 December	**11,379,504**	7,939,438

21 TRADE PAYABLES AND ACCRUALS

	2012	*2011*
	QR	*QR*
Trade payables	**11,950,224**	31,608,335
Accrued expenses	**39,044,780**	38,101,393
Provision for contribution to Social and Sports Development Fund (a)	**2,022,106**	1,543,352
Other payables	**26,166,169**	36,738,168
	79,183,279	107,991,248

Note: (a)
Pursuant to Law No. 13 of 2008, the Group made an appropriation of QR 2 Million (2011: QR 1.5 Million) to the Social and Sports Development Fund of Qatar. This amount represents 2.5% of the net profit for the years ended 31 December 2012 and 2011. The amount shown above represents the accrual made in respect of 2012 net profits and the share for 2011 profits has been remitted to the Directorate of Public Revenue and Taxes during the year.

22 RELATED PARTY DISCLOSURES

These represent transactions with the major shareholders, board of directors, senior management of the Group and the companies of which they are the principal owners. The transactions with related parties consist principally of sales, purchases and other services. Pricing policies and terms of these transactions are approved by the Group's management.

Related party transactions
Transactions with related parties included in the statement of comprehensive income are as follows:

	2012	*2011*
	QR	*QR*
Revenue	**10,240,022**	14,153,152
Purchase of services	**39,834,147**	64,292,875

Related party balances
Balances with related parties included in the consolidated statement of financial position are as follows:

	2012	*2011*
	QR	*QR*
Trade receivables	**855,686**	2,861,753
Trade payables	**5,643,694**	11,476,359

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: QR Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

22 RELATED PARTY DISCLOSURES (continued)

Compensation of key management personnel
The remuneration of key management personnel during the year were as follows:

	2012 ***QR***	*2011* *QR*
Short-term benefits	**10,372,386**	6,819,820
Employees' end of service benefits	**129,416**	131,125

23 COMMITMENTS AND CONTINGENT LIABILITIES

	2012 ***QR***	*2011* *QR*
Contingent liabilities		
Letters of guarantee	**11,920,551**	17,114,568
Performance bonds	**24,592,620**	17,319,519
	36,513,171	34,434,087

The Group has provided a corporate guarantee of QR 45 Million to Imdad Sourcing and Logistic Group W.L.L, a subsidiary for the loan obtained from local bank during the year.

The Group has entered into capital commitments relating to certain related construction contracts and purchase of vehicles amounting to QR 154 Million as at 31 December 2012 (2011: QR 220 Million).Future minimum rentals payable under non-cancellable operating leases at 31 December were as follows;

	2012 ***QR***	*2011* *QR*
Within one year	**2,244,162**	2,507,795
After one year but not more than five years	**7,760,608**	8,411,162
More than five years	**17,908,426**	19,543,102
	27,913,196	30,462,059

24 SEGMENT INFORMATION

For management purposes, the Group is divided into three operating segments which are based on business lines, as follows:

- Logistic operations segment includes storage, handling, packing and transportation;
- Freight forwarding segment includes freight services through land, air and sea;
- Others includes trading;

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

24 SEGMENT INFORMATION (continued)

The following table presents revenue and profit information regarding the Group's operating segment for the year ended 31 December 2012 and 2011, respectively.

Year ended 31 December 2012	***Logistic operations QR***	***Freight forwarding QR***	***Others QR***	***Unallocated QR***	***Total QR***
Segment revenue	**297,476,141**	**148,711,489**	**33,539,211**	**-**	**479,726,841**
Depreciation	**38,397,351**	**380,234**	**76,064**	**-**	**38,853,649**
Segment profit	**71,920,292**	**12,900,009**	**(8,240,999)**	**4,304,949**	**80,884,251**

Year ended 31 December 2011	*Logistic operations QR*	*Freight forwarding QR*	*Others QR*	*Unallocated QR*	*Total QR*
Segment revenue	223,891,652	152,920,667	42,761,788	-	419,574,107
Depreciation	32,477,675	377,144	15,928	-	32,870,747
Segment profit	43,760,918	12,381,208	2,127	5,589,826	61,734,079

The following table presents segment assets of the Group's operating segments as at 31 December:

	Logistic operations QR	***Freight forwarding QR***	***Others QR***	***Unallocated QR***	***Total QR***
Segment assets					
At 31 December 2012	**1,337,585,428**	**116,078,044**	**26,542,080**	**99,427,795**	**1,579,633,347**
At 31 December 2011	926,934,548	112,450,573	44,549,579	164,987,446	1,248,922,146

25 FINANCIAL RISK MANAGEMENT

Objective and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and bank balances which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that changes in market prices, such as interest and profit rates will affect the Group's profit, or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

25 FINANCIAL RISK MANAGEMENT (continued)

Profit rate risk
The Group's financial assets and liabilities that are subject to profit rate risk comprise bank deposits, loans and borrowings.

The Group's exposure to the risk of changes in market profit rates relates primarily to the Group's financial assets and liabilities with floating profit rates.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest and profit rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest and profit rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December. The effect of decreases in interest and profit rates is expected to be equal and opposite to the effect of the increases shown. However, the Group is not exposed to this risk as financial assets or liabilities at 31 December 2012 carry fixed profit rate.

	Changes in basis points	*Effect on profit QR*
2012		
Floating rate instruments	**+25 b.p**	-
2011		
Floating rate instruments	+25 b.p	(1,710,265)

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of accounts receivable and bank balances.

With respect to credit risk arising from the financial assets of the Group, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as follows:

	2012 ***QR***	*2011* *QR*
Bank balances	**116,969,115**	80,653,809
Trade receivables	**138,768,890**	113,198,495
Other receivables	**4,194,048**	8,627,400
	259,932,053	202,479,704

The Group continues to render services to more than 955 (2011: 763) customers with its largest 5 customers accounting for 34% (2011: 27%) of trade receivables. This significant concentration risk has been managed through enhanced monitoring and periodic tracking. The Group has a rigorous policy of credit screening prior to providing services on credit.

The Group reduces the exposure of credit risk arising from other financial assets by maintaining bank accounts with reputed banks and providing services only to the creditworthy counter parties.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation and is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

25 FINANCIAL RISK MANAGEMENT (continued)

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

	1 to 12 months QR	*1 to 5 years QR*	*Over 5 years QR*	*Total QR*
At 31 December 2012				
Loans and borrowings	**113,702,597**	**688,522,689**	**160,588,707**	**962,813,993**
Trade payables	**11,950,224**	-	-	**11,950,224**
Accrued expenses	**39,044,780**	-	-	**39,044,780**
Other payables	**26,166,169**	-	-	**26,166,169**
Retention payable	**18,760,171**	**6,406,451**	-	**25,166,622**
	209,623,941	**694,929,140**	**160,588,707**	**1,065,141,788**
At 31 December 2011				
Loans and borrowings	93,587,342	412,145,146	5,187,230	510,919,718
Trade payables	31,608,335	-	-	31,608,335
Accrued expenses	38,101,393	-	-	38,101,393
Other payables	36,738,168	-	-	36,738,168
Retention payable	22,406,273	2,262,637	-	24,668,910
	222,441,511	414,407,783	5,187,230	642,036,524

Capital management

The Group policy is to maintain a strong capital base so as to maintain investor, creditor and to sustain future development of the business. The management monitors the capital base, which the Group defines as the share capital, on a continuous basis.

The management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions and shareholders' expectation. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year end 31 December 2012 and 31 December 2011. Capital comprises share capital of QR 396 Million (2011: QR 396 Million).

Operational risk

As a precaution in managing exposure to business continuity risk arising from potential losses or damages to customer goods; an amount of QR 393 Million (2011: QR 386 Million) worth of customer goods has been covered through insurance coverage. Also the Group limits its liability towards any losses by way of contractual agreements entered with respective customers.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of accounts receivable and bank balances. Financial liabilities consist of loans and borrowings, accounts payable and certain other payables.

The fair values of financial instruments are not materially different from their carrying values.

27 SIGNIFICANT ESTIMATES AND JUDGEMENTS

Use of estimates
The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future.

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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

Useful lives of property, plant and equipment
The Group’s management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

Going concern
The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Fair value of investment properties
The fair value of investment properties in the consolidated statement of financial position represents an estimate by independent professional valuer of the open market value of those properties as at the end of the reporting period.

In assessing the open market value of investment properties, the professional valuers will consider lettings, tenant's profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property in the context of the local market. Data regarding local market conditions is primarily historic in nature and provides a guide as to current letting values and yields.

27 SIGNIFICANT ESTIMATES AND JUDGEMENTS (continued)

Fair value of investment properties
The current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world. There has been a significant reduction in transaction volumes with activity below the levels of recent years. Therefore, in arriving at their estimates of open market values as at the end of the reporting period, the valuers have increasingly used their market knowledge and professional judgment and not only relied on historic transactional comparables. In these circumstances, there is a greater degree of uncertainty than that which exists in a more active market in estimating the open market values of investment property.

The lack of liquidity in capital markets also means that, if it was intended to dispose of the property, it may be difficult to achieve a successful sale of the investment property in the short term.

Goodwill
The Group has identified the following business activities as cash generating units

- Logistics
- Freight Forwarding operations

The group has also determined that the above constitute cash generating units for the testing of impairment of goodwill with indefinite life.

The recoverable amount of the cash generating units have been determined based on a value in use calculation using cash flow projections approved by the management from 2012 to 2017, which is in the range of the current short term growth rate for the logistics industry. The discount applied to cash flow projection is 16% and cash flows beyond five year period are extrapolated using 3% growth rate using conservative basis.

As result of this exercise, recoverable amount is greater than carrying amount and management conclude that goodwill is not impaired.

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

- Revenue
- Earnings before interest, tax, depreciation and amortization ("EBIDTA")
- Discount rates and
- Growth rate used to extrapolate cash flows beyond the budget period.

Sensitivity change of 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.

28 COMPARATIVE FIGURES

Certain prior year amounts have been reclassified in order to conform to the current year presentation. Such reclassification did not affect previously reported net profit or total equity.