# GULF WAREHOUSING COMPANY Q.S.C.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

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**Independent auditors' report**

To the shareholders of Gulf Warehousing Company Q.S.C.

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Gulf Warehousing Company Q.S.C. (the "Company"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Board of Directors' responsibility for the consolidated 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 the 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 our 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, we 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 the 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 consolidated financial position of the Company as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on other legal and regulatory requirements**

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We confirm that the physical count of inventories was carried out in accordance with established principles. We have reviewed the accompanying report of the Board of Directors and confirm that the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the provisions of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association during the year which might have had a material adverse effect on the business of the Company or on its consolidated financial position as at 31 December 2015.

20 January 2016
*Doha*
*State of Qatar*

Gopal Balasubramaniam
*KPMG*
*Auditor's Registration No.251*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2015

In Qatari Riyals

| | Note | **31 December 2015** | 31 December 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 1,306,367,021 | 1,126,137,981 |
| Capital work-in-progress | 6 | 250,725,012 | 250,842,979 |
| Investment property | 7 | 186,252,270 | 172,968,860 |
| Intangible assets and goodwill | 8 | 128,669,413 | 134,740,203 |
| | | 1,872,013,716 | 1,684,690,023 |
| **Current assets** | | | |
| Inventories | | 8,724,153 | 7,526,517 |
| Trade and other receivables | 9 | 513,347,064 | 249,549,979 |
| Cash and cash equivalents | 10 | 586,450,755 | 160,228,239 |
| | | 1,108,521,972 | 417,304,735 |
| **TOTAL ASSETS** | | **2,980,535,688** | 2,101,994,758 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 11 | 475,609,750 | 475,609,750 |
| Shares subscribed but not yet issued | 12 | 429,361,153 | - |
| Legal reserve | 13 | 237,804,875 | 237,804,875 |
| Retained earnings | | 268,087,040 | 158,900,285 |
| **Equity attributable to owners of the Company** | | 1,410,862,818 | 872,314,910 |
| **Non-controlling interests** | | (3,681,223) | (3,681,223) |
| **Total equity** | | 1,407,181,595 | 868,633,687 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 15 | 1,231,538,748 | 994,736,738 |
| Provision for employees' end of service benefits | 16 | 22,807,254 | 17,899,003 |
| | | 1,254,346,002 | 1,012,635,741 |
| **Current liabilities** | | | |
| Loans and borrowings | 15 | 141,636,259 | 67,994,913 |
| Trade and other payables | 17 | 177,371,832 | 152,730,417 |
| | | 319,008,091 | 220,725,330 |
| **Total liabilities** | | 1,573,354,093 | 1,233,361,071 |
| **TOTAL EQUITY AND LIABILITIES** | | **2,980,535,688** | 2,101,994,758 |

These consolidated financial statements were approved by the Company's Board of Directors on 20 January 2016 and were signed on its behalf by:

………………………………………….. ………………………………………..

**Abdulla Fahad J J Al-Thani**
Chairman

**Fahad Hamad J J Al-Thani**
Vice Chairman

The notes on pages 8 to 33 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2015** In Qatari Riyals

| | Note | **31 December 2015** | 31 December 2014 |
|---|---|---|---|
| Revenue | 19 | 787,944,114 | 656,991,483 |
| Direct costs | | (501,462,357) | (431,403,332) |
| **Gross profit** | | 286,481,757 | 225,588,151 |
| Other income, net | 20 | 19,173,609 | 16,166,315 |
| Fair value gains on investment property | 7 | 12,528,410 | 14,722,840 |
| Administrative and other expenses | | (98,152,246) | (80,321,263) |
| **Operating profit** | | 220,031,530 | 176,156,043 |
| Finance costs, net | 22 | (34,874,383) | (35,883,893) |
| **Profit** | | 185,157,147 | 140,272,150 |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | 185,157,147 | 140,272,150 |
| **Profit and total comprehensive income attributable to:** | | | |
| Owners of the Company | | **185,157,147** | 140,272,150 |
| **Earnings per share** | | | |
| Basic earnings per share | 23 | **3.89** | 2.95 |
| Diluted earnings per share | 23 | **3.60** | 2.77 |

The notes on pages 8 to 33 form an integral part of these consolidated financial statements.

GULF WAREHOUSING COMPANY Q.S.C.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2015**

In Qatari Riyals

| | Share capital | Shares subscribed but not yet issued | Legal Reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | |
| Balance at 1 January 2015 | 475,609,750 | - | 237,804,875 | 158,900,285 | 872,314,910 | (3,681,223) | 868,633,687 |
| *Total comprehensive income:* | | | | | | | |
| Profit | - | - | - | 185,157,147 | 185,157,147 | - | 185,157,147 |
| *Transactions with the owners of the Company:* | | | | | | | |
| Dividend relating to 2014 (Note 14) | - | - | - | (71,341,463) | (71,341,463) | - | (71,341,463) |
| *Other movements:* | | | | | | | |
| Shares subscribed but not yet issued (Note 12) | - | 429,361,153 | - | - | 429,361,153 | - | 429,361,153 |
| Transfer to social and sports fund (Note 17) | - | - | - | (4,628,929) | (4,628,929) | - | (4,628,929) |
| | - | 429,361,153 | - | (4,628,929) | 424,732,224 | - | 424,732,224 |
| **Balance at 31 December 2015** | **475,609,750** | **429,361,153** | **237,804,875** | **268,087,040** | **1,410,862,818** | **(3,681,223)** | **1,407,181,595** |

The notes on pages 8 to 33 form an integral part of these consolidated financial statements.

GULF WAREHOUSING COMPANY Q.S.C.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2014

In Qatari Riyals

| | Share capital | Legal reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | |
| Balance at 1 January 2014 | 475,609,750 | 231,517,414 | 99,763,863 | 806,891,027 | (3,681,223) | 803,209,804 |
| *Total comprehensive income:* | | | | | | |
| Profit | - | - | 140,272,150 | 140,272,150 | - | 140,272,150 |
| *Transactions with the owners of the Company:* | | | | | | |
| Dividend relating 2013 (Note 14) | - | - | (71,341,463) | (71,341,463) | - | (71,341,463) |
| *Other movements:* | | | | | | |
| Transferred to legal reserve (Note 13) | - | 6,287,461 | (6,287,461) | - | - | - |
| Transfer to social and sports fund (Note 17) | - | - | (3,506,804) | (3,506,804) | - | (3,506,804) |
| | - | 6,287,461 | (9,794,265) | (3,506,804) | - | (3,506,804) |
| Balance at 31 December 2014 | 475,609,750 | 237,804,875 | 158,900,285 | 872,314,910 | (3,681,223) | 868,633,687 |

The notes on pages 8 to 33 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2015**

In Qatari Riyals

| | Note | **31 December 2015** | 31 December 2014 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit | | 185,157,147 | 140,272,150 |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | 5 | 89,072,543 | 73,305,953 |
| Amortisation of intangible assets | 8 | 6,070,790 | 6,646,815 |
| Fair value gains on investment property | 7 | (12,528,410) | (14,722,840) |
| Provision for impairment of trade receivables | 9 | 6,099,794 | 1,760,000 |
| (Gain)/loss on disposal of property, plant and equipment | 20 | (88,982) | 126,073 |
| Provision for employees' end of service benefits | 16 | 6,298,363 | 5,760,105 |
| Interest expense | 22 | 35,105,832 | 36,096,820 |
| Interest income | 22 | (231,449) | (212,927) |
| | | 314,955,628 | 249,032,149 |
| *Changes in:* | | | |
| - Inventories | | (1,197,636) | 1,266,028 |
| - Trade and other receivables | | (269,896,879) | (16,362,385) |
| - Trade and other payables | | 23,741,829 | 27,997,648 |
| Cash generated from operating activities | | 67,602,942 | 261,933,440 |
| Contribution to social and sports development fund | | (3,506,804) | (2,540,638) |
| Employees' end of service benefits paid | 16 | (1,390,112) | (1,119,399) |
| **Net cash from operating activities** | | 62,706,026 | 258,273,403 |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | 5 | (72,000,297) | (39,314,482) |
| Proceeds from disposal of property, plant and equipment | | 1,884,450 | 1,838,000 |
| Payments on capital work-in-progress | 6 | (199,733,787) | (251,639,759) |
| Interest received | | 231,449 | 212,927 |
| **Net cash used in investing activities** | | (269,618,185) | (288,903,314) |
| **Cash flows from financing activities** | | | |
| Shares subscribed but not yet issued | 12 | 429,361,153 | - |
| Proceeds from loans and borrowings | | 330,932,070 | 179,631,148 |
| Repayment of loans and borrowings | | (32,631,676) | (69,622,067) |
| Interest paid | | (23,185,409) | (22,613,946) |
| Dividends paid | 14 | (71,341,463) | (71,341,463) |
| **Net cash from financing activities** | | 633,134,675 | 16,053,672 |
| **Net increase / (decrease) in cash and cash equivalents** | | 426,222,516 | (14,576,239) |
| Cash and cash equivalents at 1 January | | 160,228,239 | 174,804,478 |
| **Cash and cash equivalents at 31 December** | 10 | **586,450,755** | 160,228,239 |

The notes on pages 8 to 33 form an integral part of these consolidated financial statements.

## 1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Gulf Warehousing Company Q.S.C. (the "Company") is incorporated in accordance with the provisions of the Qatar Commercial Companies Law No. 11 of 2015 as a Qatari Shareholding Company, and was registered with the Ministry of Economy and Commerce of the State of Qatar with the Commercial Registration number 27386 dated 21 March 2004. The Company's shares are listed on the Qatar Stock Exchange since 22 March 2004. The Company is domiciled in the State of Qatar, where it also has its principal place of business.

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group").

The principal activities of the Group which have not changed since the previous year are the provision of logistics (warehousing, inland transportation of goods for storage, international moving and relocation, express courier and records management) and freight forwarding (land, sea or air) services.

The details of Group's operating subsidiaries are as follows:

| **Name of subsidiary** | **Country of incorporation** | **Nature of business** | **Group effective shareholding %** | |
|---|---|---|---|---|
| | | | **31 December 2015** | 31 December 2014 |
| Agility W.L.L. | State of Qatar | Logistics and transportation | 100% | 100% |
| GWC Global Cargo & Transport L.L.C. | United Arab Emirates | Warehousing and transportation | 100% | 100% |
| GWC Logistic S.P.C. | Kingdom of Bahrain | Operation and management of general warehouse | 100% | - |

The Group also has the following non-operational subsidiaries:

| **Name of subsidiary** | **Country of incorporation** | **Nature of business** | **Group effective shareholding %** | |
|---|---|---|---|---|
| | | | **31 December 2015** | 31 December 2014 |
| GWC Chemicals W.L.L. | State of Qatar | Chemical trading and transportation | 100% | 100% |
| GWC Food Services W.L.L. (Formerly GWC Projects) | State of Qatar | Trading food | 100% | 100% |
| Imdad Sourcing & Logistic Group W.L.L. | State of Qatar | Trading food and other consumables | 51% | 51% |
| GWC Saudi Arabia – Branches in Riyadh, Dammam & Jeddah | Kingdom of Saudi Arabia | Preparation, development and management of warehouses | 100% | 100% |
| Gulf Warehousing Company Limited | Republic of Nigeria | Warehousing and transportation | 100% | 100% |
| GWC Marine Services | State of Qatar | Marine services | 100% | 100% |
| GWC Express | State of Qatar | Courier services | 100% | 100% |

These consolidated financial statements were authorised for issue by the Board of Directors on 20 January 2016.

## 2. BASIS OF PREPARATION

**a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

**b) Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property.

**c) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Qatari Riyals ("QR"), which is the Group's presentation currency.

**d) Use of judgments and estimates**

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas that involve a higher degree of judgment or complexity, or areas where assumptions or estimates have a significant risk of resulting in a material adjustment to the amounts recognised in the consolidated financial statements are as follows:

*Going concern*
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. The Group has been profitable and it has positive net asset and working capital positions. Furthermore, 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.

*Depreciation of property, plant and equipment*
Items of property, plant and equipment are depreciated over their estimated individual useful lives. The determination of useful lives is based on the expected usage of the asset, physical wear and tear, technological or commercial obsolescence and impacts the annual depreciation charge recognized in the financial statements. Management reviews annually the residual values and useful lives of these assets. Future depreciation charge could be materially adjusted where management believes the useful lives differ from previous estimates.

*Classification of property into investment property*
Judgement is needed to determine whether a property qualifies as investment property. Based on an assessment made by Management, some properties of the Group comprising land and buildings were classified into investment property on the grounds that they are not occupied substantially for use by, or in the operations of, the Group, nor are for sale in the ordinary course of business, but are held primarily to earn rental income.

*Fair valuation of investment property*
The fair value of investment property is determined by valuations from an external professional real estate valuer using recognised valuation techniques and the principles of IFRS 13. These valuations entail significant estimates and assumptions about the future as set out in Note 7, which could result in significant differences in the valuations.

## 2. BASIS OF PREPARATION (CONTINUED)

### d) Use of judgments and estimates (continued)

*Estimated impairment of goodwill*
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3. These calculations require the use of significant estimates and assumptions about the future as disclosed in Note 8, which could impact the goodwill revaluation and the conclusion that no goodwill impairment is required.

*Impairment of non-financial assets (other than inventories)*
The carrying amounts of the Group's non-financial assets (property, plant and equipment, and capital work-in-progress) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then an impairment test is performed by the management. The determination of what can be considered impaired, as well as the determination of recoverable amounts require management to make significant judgments, estimation and assumptions.

*Impairment of inventories*
When inventories become old or obsolete, an estimate is made of their net realizable 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 applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. The necessity and setting up of a provision for slow moving and obsolete inventories requires considerable degree of judgment.

*Impairment of trade and other receivables*
The carrying amounts of the trade and other receivables are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then an impairment test is performed by the management. Management uses considerable judgment to estimate any irrecoverable amounts of receivables, determined by reference to past default experience of a counterparty and an analysis of the counterparty's financial situation.

*Provision for employees' end of service benefits*
Accounting for employees' end of service involves judgment about uncertain events, including estimated retirement dates, salary levels at retirement, and mortality rates. The assumptions used in the calculation of the provision for employees' end of service benefits are reviewed by management at the end of each year, and any change to the projected benefit obligation at the year-end is adjusted in the provision for employees' end of service benefits in the profit or loss.

*Other provisions and liabilities*
Other provisions and liabilities are recognized in the period only to the extent management considers it probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. Since the actual cash outflows can take place in subsequent years, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized provision or liability would result in a charge or credit to profit or loss in the period in which the change occurs.

*Contingent liabilities*
Contingent liabilities are determined by the likelihood of occurrence or non-occurrence of one or more uncertain future events. Assessment of contingent liabilities is tightly connected with development of significant assumptions and estimates relating to the consequences of such future events.

## 2. BASIS OF PREPARATION (CONTINUED)

### e) New Standards, amendments and interpretations issued and effective on or after 1 January 2015

During the current year, the Group adopted the below amendments and improvements to the International Financial Reporting Standards that are relevant to its operations and are effective for annual periods beginning on 1 January 2015:

Amendments to IAS 19 on Defined Benefit Plans: Employee Contributions
Annual Improvements to IFRSs 2010–2012 Cycle - various standard
Annual Improvements to IFRSs 2011–2013 Cycle - various standards

The adoption of the above amendments and interpretations had no significant impact on the Company's consolidated financial statements.

### f) New standards, amendments and interpretations issued but not yet effective

The below International Financial Reporting Standards and amendments thereto that are available for early adoption for annual periods beginning on 1 January 2015 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

They following standards are expected to impact the Company's consolidated financial statements:

*IFRS 9 "Financial Instruments" (Annual periods beginning on or after 1 January 2018)*
IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

*IFRS 15 "Revenue from Contracts with Customers" (Annual periods beginning on or after 1 January 2018)*
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

The following new or amended standards and improvements to standards are not expected to have any impact on the Company's consolidated financial statements:

- Amendments to IAS 1 on Disclosure Initiative (Annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization (Annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 41 on Agriculture: Bearer plants (Annual periods beginning on or after 1 January 2016)
- Amendments to IAS 27 on equity method in Separate Financial Statements" (Annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 on accounting for acquisitions of interests in Joint Ventures (Annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and it's associate or joint venture (Annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities applying the consolidation exception (Annual periods beginning on or after 1 January 2016)
- IFRS 14 "Regulatory Deferral Accounts" (Annual periods beginning on or after 1 January 2016)

- Annual improvements to IFRSs 2012-2014 cycle (Annual periods beginning on or after 1 January 2016)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Group applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to both years presented in these consolidated financial statements.

### a) Basis of consolidation

***Business combinations***

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (See section on “Non-financial assets” under “Impairment”).

***Non-controlling interests (NCI)***

NCI are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

***Loss of control***

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from Intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### b) Property, plant and equipment

***Recognition and measurement***

Items of property, plant and equipment are recognized at cost of acquisition and measured thereafter at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of an asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

***Subsequent expenditure***

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### b) Property, plant and equipment (continued)

***Depreciation***

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Buildings | 25 years |
| Office equipment | 3 to 5 years |
| Furniture & fixtures | 4 years |
| Warehouse equipment | 5 to 25 years |
| Motor vehicles | 5 to 15 years |
| Tools and equipment | 4 years |

Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

***Derecognition***

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Profits and losses on disposals of items of property, plant and equipment are determined by comparing the proceeds from their disposals with their respective carrying amounts, and are recognised net within profit or loss.

### c) Capital work-in-progress

Capital work-in-progress comprises projects of the Group under construction and is carried at cost less impairment, if any. Capital work in progress is not depreciated. Once the construction of assets within capital work-in-progress is completed, they are reclassified to either the property, plant and equipment or the investment property depending on their use and depreciated accordingly once they are put into use.

### d) Investment property

Investment property represents land and buildings that are occupied substantially for use by third parties and are held by the Group to earn rentals.

***Recognition and measurement***

An investment property is recognized initially at cost of acquisition including any transaction costs and is subsequently measured at fair value, representing open market value determined annually by external valuers. Any change in fair value is recognised in profit or loss.

***Subsequent expenditure***

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

***Derecognition***

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use. Profits and losses on disposals of items of investment property are determined by comparing the proceeds from their disposals with their respective carrying amounts, and are recognised net within profit or loss.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### e) Intangible assets and goodwill

***Recognition and measurement***

Goodwill – Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets – Other intangible assets, which comprise “Customer contracts and related customer relationships” and the “Brand name” of Agility, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

***Amortization***

Amortization is calculated to write off the cost of intangible assets less their estimated residual values, and is recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Customer contracts and related customer relationships: | 4 - 10 years |
| Brand name: | 10 years |

The amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### f) Financial instruments

The Group classified its non-derivative financial assets into the following category: loans and receivables (Trade and other receivables, and bank balances). The Group classified its non-derivative financial liabilities into the other financial liabilities category (Trade and other payables).

***Non-derivative financial assets and financial liabilities – recognition and derecognition***

The Group initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### f) Financial instruments (continued)

***Non-derivative financial assets – measurement***

*Loans and receivables*
These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

***Non-derivative financial liabilities – measurement***

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

### g) Impairment

***Non-derivative financial assets***

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

*Financial assets measured at amortized cost*

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

***Non-financial assets***

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (Property, plant and equipment, and capital work-in-progress, but not inventories and not investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### g) Impairment (continued)

***Non-financial assets (continued)***

For 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 CGUs. Goodwill arising from a business combination is allocated to CGUs of groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment is respect of goodwill is not reversed. For other assets, 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 amortization, if no impairment loss had been recognised.

### h) Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of any outstanding bank overdrafts

### i) Share capital

Ordinary shares issued by the Company are classified as equity.

### j) Provision for employees' end of service benefits

The Group provides employees’ end of service benefits to its expatriate employees in accordance with employment contracts and the Qatar Labour Law No. 14 of 2004. 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.

With respect to the Qatari nationals, the Group makes contributions to Qatar Retirement and Pension Authority as a percentage of the employees’ salaries in accordance with the requirements of respective local laws pertaining to retirement and pensions. The Group’s share of contributions to these schemes, which are defined contribution schemes under International Accounting Standard 19 “Employee Benefits” are charged to profit or loss.

### k) Provisions

A provision is recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that the Group will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value, of the best estimate, of the amount required to settle the obligation. Provisions are reviewed annually to reflect current best estimates of the expenditure required to settle the obligations.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### l) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for sale of services in the ordinary course of the Group's activities, net of any trade discounts. The Group recognizes revenue from its services:

- when the amount of revenue can be reliably measured;
- when it is probable that future economic benefits will flow to the Group;
- in the accounting period in which the services are rendered; and
- when specific criteria have been met for each of the Group's activities as described below.

*Revenue from logistic services*
Logistic services provided by the Group comprise primarily inventory management and storage, order fulfilment and transportation services. Revenue from such services is recognised upon completion of the services.

*Revenue from freight forwarding services*
Freight forwarding represents purchasing transportation capacity from independent air, ocean and overland transportation providers and reselling that capacity to customers. Revenue from such services is recognised upon completion of services.

*Rental income*
Rental income arising on operating leases is recognised on a straight-line basis over the lease term.

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

### m) Expenses recognition

Expenses, including cost of sales, administrative and selling costs, depreciation, interest payable and foreign exchange losses on transactions, are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen and can be measured reliably.

An expense is recognized immediately in profit or loss when an expenditure produces no future economic benefits, or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the statement of financial position as an asset, such as in the case of asset impairments.

### n) 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.

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 profit or loss on a straight-line basis over the lease term.

### o) Foreign currency

***Foreign currency transactions and balances***

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### o) Foreign currency (continued)

***Foreign currency transactions and balances (continued)***

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognized in profit or loss, Non-monetary items that are measured based on historic cost in a foreign currency are not translated.

***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Qatari Riyals at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Qatari Riyals at the average exchange rate of the reporting year (unless this rate is not a reasonable approximation of the exchange rate at the date of the transaction, in which case the exchange rates at the dates of the transactions are used).

### p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

### q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's top Management (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

## 4. FINANCIAL RISK AND CAPITAL MANAGEMENT

### a) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group and to monitor risks.

***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables and bank balances.

## 4. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

### a) Financial risk management (continued)

***Credit risk (continued)***

*Trade and other receivables*
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group renders services to more than 1453 (2014: 942) customers with its largest 5 customers accounting for 41% (2014: 38%) of its 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. Management evaluates the creditworthiness of each client prior to entering into contracts. Management also periodically reviews the collectability of its trade and other receivables and has a policy to provide any amounts whose collection is no longer probable and write-off as bad debts any amounts whose recovery is unlikely. As a result, management believes that there is no significant credit risk on its trade and other receivables as presented on the statement of financial position.

*Bank balances*
The Group has balances with credit worthy and reputable banks in Qatar with high credit ratings. Therefore, management believes that credit risk in respect of these balances is minimal.

Further information about the Group's exposure to credit risk is provided in Note 27.

***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Further information about the Group's exposure to liquidity risk is provided in Note 27.

***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*
Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. As the US Dollar is pegged with the Qatari Riyal, the Group is not exposed to currency risk when it transacts in this currency. Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

*Interest rate risk*
As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from bank deposits and borrowings. Bank deposits issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

## 4. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

### b) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base in order to support its business and to sustain future development of the business. Management monitors its capital structure and makes adjustments to it, in light of economic conditions.

The Group monitors capital using a gearing ratio, which is calculated as net debt divided by total capital. The debt is calculated as total borrowings (non-current and current borrowings and bank overdrafts as shown on the statement of financial position) less cash and cash equivalents (excluding bank overdrafts). The total capital is calculated as 'equity' as shown on the statement of financial position plus net debt.

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Total borrowings | 1,373,175,007 | 1,062,731,651 |
| Less: Cash and cash equivalents | (586,450,755) | (160,228,239) |
| Net debt | 786,724,252 | 902,503,412 |
| Total equity | 1,407,181,595 | 868,633,687 |
| Total capital | 2,193,905,847 | 1,771,137,099 |
| Gearing ratio | **35.86%** | 50.96% |

The Group's capital management policy remained unchanged since the previous year. The decrease in the gearing ratio during 2015 resulted primarily from the inflow of new funds from the Company's right issue for financing the activities of the Group.

The Group is not subject to any externally imposed capital requirements.

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Buildings [1] | Office equipment | Furniture & fixtures | Warehouse equipment | Motor vehicles | Tools and equipment | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2014 | 878,466,319 | 29,229,258 | 14,116,656 | 69,631,126 | 149,074,293 | 1,829,807 | 1,142,347,459 |
| Additions | 7,011,320 | 3,549,320 | 7,403,780 | 13,216,804 | 7,817,991 | 315,267 | 39,314,482 |
| Disposals | - | (17,200) | - | - | (6,652,073) | - | (6,669,273) |
| Transfers from capital work-in-progress (Note 6) | 219,362,450 | 831,152 | 10,475,256 | - | - | - | 230,668,858 |
| Balance at 31 December 2014 | 1,104,840,089 | 33,592,530 | 31,995,692 | 82,847,930 | 150,240,211 | 2,145,074 | 1,405,661,526 |
| Additions | 27,956,656 | 10,639,490 | 9,665,007 | 10,128,775 | 13,284,600 | 325,769 | 72,000,297 |
| Disposals | - | - | - | - | (9,877,818) | - | (9,877,818) |
| Transfers from capital work-in-progress (Note 6) | 199,096,754 | - | - | - | - | - | 199,096,754 |
| Balance at 31 December 2015 | 1,331,893,499 | 44,232,020 | 41,660,699 | 92,976,705 | 153,646,993 | 2,470,843 | 1,666,880,759 |
| **Accumulated depreciation** | | | | | | | |
| Balance at 1 January 2014 | 72,476,200 | 16,495,416 | 8,636,430 | 27,596,700 | 84,994,921 | 723,125 | 210,922,792 |
| Additions (Note 21) | 40,372,250 | 6,761,706 | 4,162,476 | 5,869,039 | 15,627,122 | 513,360 | 73,305,953 |
| Disposals | - | (15,914) | - | - | (4,689,286) | - | (4,705,200) |
| Balance at 31 December 2014 | 112,848,450 | 23,241,208 | 12,798,906 | 33,465,739 | 95,932,757 | 1,236,485 | 279,523,545 |
| Additions (Note 21) | 52,021,299 | 6,480,322 | 8,349,034 | 6,445,625 | 15,630,463 | 145,800 | 89,072,543 |
| Disposals | - | - | - | - | (8,082,350) | - | (8,082,350) |
| Balance at 31 December 2015 | 164,869,749 | 29,721,530 | 21,147,940 | 39,911,364 | 103,480,870 | 1,382,285 | 360,513,738 |
| **Carrying amounts** | | | | | | | |
| At 31 December 2014 | 991,991,639 | 10,351,322 | 19,196,786 | 49,382,191 | 54,307,454 | 908,589 | 1,126,137,981 |
| **At 31 December 2015** | **1,167,023,750** | **14,510,490** | **20,512,759** | **53,065,341** | **50,166,123** | **1,088,558** | **1,306,367,021** |

(1) Buildings are constructed on land leased from the State of Qatar. The leasing cost of the land is immaterial and therefore not reported separately. As at 31 December 2015, buildings with a carrying amount of QR 856 million were mortgaged against Logistics Village Qatar (LVQ) term loans (Note15 (i)).

## 6. CAPITAL WORK-IN-PROGRESS

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Balance at 1 January | 250,842,979 | 256,146,536 |
| Additions | 199,733,787 | 251,639,759 |
| Transfers to property, plant and equipment (Note 5) | (199,096,754) | (230,668,858) |
| Transfers to investment property (Note 7) | (755,000) | (26,274,458) |
| Balance at 31 December | **250,725,012** | 250,842,979 |

Capital work-in-progress comprise mainly the constructions in Logistic Village Qatar Phase 5, Busulba Project and Ras Laffan project.

The amount of borrowing costs capitalized during the year ended 31 December 2015 was QR 2.8 million (2014: QR 20.7 million). The weighted average rate used to determine the amount of borrowing cost eligible for capitalization was 3.40% per annum, which is the effective interest rate of the specific borrowings. Building under constructions are mortgaged against certain loans and borrowings (Note 15).

## 7. INVESTMENT PROPERTY

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Balance at 1 January | 172,968,860 | 131,971,562 |
| Transfers from capital work-in-progress (Note 6) | 755,000 | 26,274,458 |
| Fair value gains | 12,528,410 | 14,722,840 |
| Balance at 31 December | **186,252,270** | 172,968,860 |

The Group's investment property comprises three properties obtained under operating leases, which were sub-leased to third parties for earning rentals.

The fair valuations of all the three investment properties were performed as at 22 December 2015 by Al Haque Rental & Real Estate Office, an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment property being valued.

The investment properties were valued using the market comparable approach. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable 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. Management assumes that the lease agreements with the government of the State of Qatar, which have expiration dates, will be renewed for perpetuity. Consequently, it is not expected that the fair value of these properties will decline as the terms of the lease agreement close to their expiry dates. The unit of comparison applied by the valuer is the depreciated value for the buildings per square meter and the market price per square foot for the land.

The following amounts have been recognised in profit or loss:

| | **2015** | 2014 |
|---|---|---|
| Rental income (Note 20) | **18,919,021** | 16,340,279 |
| Direct operating expenses arising from investment properties that generate rental income | **608,016** | 608,016 |
| Direct operating expenses that did not generate rental income | **2,972,381** | 2,247,725 |

## 8. INTANGIBLE ASSETS AND GOODWILL

| | Goodwill (1) | Customer contracts and related customer relationships(2) | Brand name (2) | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January / 31 December 2015 | 98,315,463 | 10,231,500 | 52,780,500 | 161,327,463 |
| **Accumulated amortisation** | | | | |
| At 1 January 2014 | - | 4,106,295 | 15,834,150 | 19,940,445 |
| Additions (Note 21) | - | 1,368,765 | 5,278,050 | 6,646,815 |
| At 31 December 2014 | - | 5,475,060 | 21,112,200 | 26,587,260 |
| Additions (Note 21) | - | 792,740 | 5,278,050 | 6,070,790 |
| **At 31 December 2015** | **-** | 6,267,800 | 26,390,250 | 32,658,050 |
| **Carrying amounts** | | | | |
| At 31 December 2014 | 98,315,463 | 4,756,440 | 31,668,300 | 134,740,203 |
| **At 31 December 2015** | **98,315,463** | **3,963,700** | **26,390,250** | **128,669,413** |

(1) *Impairment testing of goodwill*
Goodwill was recognised on the acquisition of Agility W.L.L. in November 2010, and is tested for impairment at least annually.

The goodwill tested for impairment is allocated to the below cash-generating units (CGUs) acquired with Agility W.L.L. and represent the premium paid on its acquisition (i.e., the amount paid in excess of the aggregate of the individual fair values of its net assets).

| | Carrying amount of goodwill | |
|---|---|---|
| | **31 December 2015** | 31 December 2014 |
| Logistics services | 53,090,350 | 53,090,350 |
| Freight forwarding services | 45,225,113 | 45,225,113 |
| Total | **98,315,463** | 98,315,463 |

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

The recoverable amount of the above CGUs is determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period.

*Key assumptions used in value-in-use calculations:*

| | Logistics services | | Freight forwarding services | |
|---|---|---|---|---|
| | **31 December 2015** | 31 December 2014 | **31 December 2015** | 31 December 2014 |
| Compound annual volume growth | **10.94%** | 11.40% | **7.50%** | 12.80% |
| Terminal growth rate | **3.00%** | 3.00% | **3.00%** | 3.00% |
| Discount rate | **13.10%** | 13.30% | **14.50%** | 14.32% |

## 8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(1) *Impairment testing of goodwill (continued)*

Management determined compound annual volume growth rate for each CGU over five-year forecast to be a key assumption. The volume of growth in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on past performance and management's expectations of market development.

The long term growth rates used are consistent with the forecasts included in industry reports. The terminal growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate.

Discount rates represent the current market assessment of the risks specific to each CGU. The discount rate calculation is based on the specific circumstances of the Group and its operating segments.

Based on the above impairment test the management concluded that there is no impairment of goodwill (2014: no impairment was identified).

(2) Customer contracts and the related customer relationships and the brand name represent intangible assets acquired through the acquisition of Agility W.L.L. in November 2010. At that time, management determined these intangible assets had 10 years of useful life. Management concluded that as at 31 December 2015 there is no impairment of these assets (2014: no impairment was identified).

## 9. TRADE AND OTHER RECEIVABLES

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Trade receivables | 227,241,602 | 134,656,734 |
| Less: Provision for impairment of trade receivables (1) | (20,880,637) | (14,780,843) |
| Trade receivables, net | 206,360,965 | 119,875,891 |
| Advances to suppliers | 195,355,614 | 24,579,824 |
| Accrued revenue | 39,977,064 | 38,864,726 |
| Prepayments | 62,771,108 | 57,252,798 |
| Other receivables | 8,882,313 | 8,976,740 |
| | **513,347,064** | 249,549,979 |

(1) The movements in the provision for impairment of trade receivables were as follows:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Balance at 1 January | 14,780,843 | 13,020,843 |
| Provision made (Note 21) | 6,099,794 | 1,760,000 |
| Balance at 31 December | **20,880,637** | 14,780,843 |

## 10. CASH AND CASH EQUIVALENTS

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Cash in hand | 1,153,207 | 1,254,113 |
| Bank balance – current accounts | 113,053,016 | 113,701,763 |
| Bank balance – deposit account (1) | 35,000,000 | 40,000,000 |
| Bank balance – restricted deposit accounts (2) | 437,244,532 | 5,272,363 |
| | **586,450,755** | 160,228,239 |

## 10. CASH AND CASH EQUIVALENTS (CONTINUED)

(1) Deposits with an original maturity of less than 90 days are made for varying periods depending on the immediate cash requirements of the Group at commercial market rates.

(2) The restricted deposit accounts represent largely the funds received from the right issue (Note 12). These funds are restricted until the approval of issuance of the new shares resulting from the rights is obtained from the regulatory authorities of the State of Qatar. Management expects that the Qatar authorities will give the approval within January 2016.

Cash and cash equivalents are denominated mainly in Qatari Riyals.

## 11. SHARE CAPITAL

| | **31 December 2015** | | 31 December 2014 | |
|---|---|---|---|---|
| **Authorised** | **No. of shares** | **Value** | No. of shares | Value |
| Ordinary shares of QR 10 each as at 1 January/31 December | **47,560,975** | **475,609,750** | 47,560,975 | 475,609,750 |
| **Issued and fully paid up** | | | | |
| Ordinary shares of QR 10 each as at 1 January/31 December | **47,560,975** | **475,609,750** | 47,560,975 | 475,609,750 |

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

## 12. SHARES SUBSCRIBED BUT NOT YET ISSUED

At the Company's Extra Ordinary General Meeting held on 13 September 2015 the shareholders decided to increase the Company's share capital via a rights issue by offering new shares for subscription at the ratio of one share for every four shares held by eligible shareholders.

The Company's eligible shareholders were those listed on the shareholders' register held by the Qatar Stock Exchange at the end of the working day of 12 October 2015. These shareholders were entitled to new shares at the price of QR 38.5 (QR 10 Nominal Value + QR 28.5 Premium) per share, except for any requested shares in excess to their entitlement which would be allocated based on the price of the Company's share on the Qatar Stock Exchange on the closing date prior to the subscription date. The subscription period was between 8 November 2015 and 25 November 2015.

The Company received QR 429,361,153 (Note 10) from the rights issue prior to the year-end; these funds have been deposited in a restricted bank account and are included within cash and cash equivalents (Note 10). However, as of the date of the issuance of these consolidated financial statements, the new shares were not approved by the regulatory authorities of the State of Qatar for issuance and, consequently, have been shown separately from the Company's share capital. Once the approval is granted by the Qatar authorities, the new shares will be transferred to the Company's share capital.

## 13. LEGAL RESERVE

In accordance with the Qatar Commercial Companies' Law No. 11 of 2015, an amount equal to 10% of the net profit for the year of every company incorporated in the State of Qatar is required to be transferred to a legal reserve account until such time the balance of the legal reserve account of such a company reaches 50% of its paid up share capital. No Group company made transfers to its legal reserve account during the current year as the legal reserve balances of these companies reached 50% of their share capital in earlier years. The legal reserve is not available for distribution except in circumstances specified in the above mentioned Law.

## 14. DIVIDENDS

At the Board Meeting on 20 January 2016, a dividend in respect of the profit for the year ended 31 December 2015 of QR 1.5 per share amounting to a total dividend of QR 71,341,463 is to be proposed. These consolidated financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2016.

The dividends declared in respect of the profit for the year ended 31 December 2014 were QR 71,341,463 (QR 1.5 per share).

## 15. LOANS AND BORROWINGS

| | **Years of maturity** | **31 December 2015** | 31 December 2014 |
|---|---|---|---|
| LVQ term loans (i) | 2020-2025 | 1,033,095,042 | 997,366,545 |
| Bu-sulba term loans (ii) | 2015-2025 | 181,375,278 | - |
| Other project loans (iii) | 2014-2025 | 65,021,084 | 7,716,477 |
| Other term loans (iv) | 2012-2018 | 93,683,603 | 57,648,629 |
| | | **1,373,175,007** | 1,062,731,651 |

Presented in the consolidated statement of financial position as follows:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Current portion | 141,636,259 | 67,994,913 |
| Non-current portion | 1,231,538,748 | 994,736,738 |
| | **1,373,175,007** | 1,062,731,651 |

(i) A term loan facility of QR 1,140 million was obtained from local banks to finance the construction and development of Logistic Village Qatar ("LVQ") located in Street # 52 of Industrial Area. The repayment on this facility began in April 2013. The term loan facility carries financing charges at Qatar Central Bank rate plus certain basis points with a floor of 3.2% - 3.5% per annum. The term loan facility is secured against the Group's buildings at the LVQ, and assignment of revenues from the LVQ operations to the lender.

(ii) These term loans have been taken from local financial institutions to finance the Bu-sulba capital work-in-progress of the Group. These loans carry financing charges at Qatar Central Bank rate plus certain basis points with a floor of 3.25% - 3.5% per annum. The loans are secured against related property to the financing.

(iii) A term loan amounting to QR 64.7 million was obtained from a local financial institution to finance capital work-in-progress of the Group. The repayment on this facility will begin in May 2016. The loan carries financing charges at Qatar Central Bank rate plus certain basis points with a floor of 3.2% - 3.25% per annum.

(iv) The term loan amounting to QR 123 million was obtained from a local financial institution to finance capital work-in-progress of the Group. The repayment on this facility began in November 2013. The loan carries financing charges at Qatar Central Bank rate plus certain basis points with a floor of 3.25% - 5.1% per annum. The loan is secured against corporate guarantees of the Company and assignment of revenues to the lender.

The carrying amounts of the Company's borrowings are denominated in Qatari Riyals.

## 16. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision for employees' end of service benefits were as follows:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Balance at 1 January | 17,899,003 | 13,258,297 |
| Provision made (Note 21) | 6,298,363 | 5,760,105 |
| Provision used | (1,390,112) | (1,119,399) |
| Balance at 31 December | **22,807,254** | 17,899,003 |

## 17. TRADE AND OTHER PAYABLES

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Trade payables | 16,218,595 | 10,246,535 |
| Accrued expenses | 57,616,271 | 55,421,515 |
| Other payables | 79,233,547 | 55,516,417 |
| Retentions payable | 19,674,490 | 28,039,146 |
| Provision for contribution for social and sports fund (1) | 4,628,929 | 3,506,804 |
| | **177,371,832** | 152,730,417 |

(1) The Company made an appropriation of QR 4.6 million (2014: QR 3.5 million) to the Social and Sports Development Fund of the State of Qatar pursuant to the Qatar Law No. 13 of 2008. This amount represents 2.5% of the net profit for the years ended 31 December 2015 and 2014.

## 18. RELATED PARTIES

***Related party transactions***

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

| **Related party** | **Nature of transactions** | **31 December 2015** | 31 December 2014 |
|---|---|---|---|
| Agility network | Revenue | **7,064,121** | 7,460,658 |
| Agility network | Purchase of services | **35,274,938** | 50,745,600 |

***Related party balances***

Balances with related parties included in the consolidated statement of financial position under trade and other receivables and trade and other payables were as follows:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Receivable from Agility network | **886,885** | 906,279 |
| Payable to Agility network | **4,357,415** | 5,727,975 |

## 18. RELATED PARTIES (CONTINUED)

***Compensation of key management personnel***

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

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Short-term benefits | 12,567,483 | 10,069,044 |
| Employees' end of service benefits | 84,000 | 84,000 |
| | **12,651,483** | 10,153,044 |

## 19. REVENUE

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Logistic operations | 535,443,532 | 462,287,566 |
| Freight forwarding | 252,500,582 | 191,586,654 |
| Others | - | 3,117,263 |
| | **787,944,114** | 656,991,483 |

## 20. OTHER INCOME, NET

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Rental income from investment property | 18,919,021 | 16,340,279 |
| Gain/(loss) on disposal of property, plant and equipment | 88,982 | (126,073) |
| Others | 165,606 | (47,891) |
| | **19,173,609** | 16,166,315 |

## 21. EXPENSES BY NATURE

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Logistic costs | 41,644,037 | 52,514,702 |
| Freight forwarding charges | 171,657,537 | 135,190,996 |
| Board of Directors' remuneration | 7,500,000 | 6,150,000 |
| Staff costs | 163,395,421 | 137,831,143 |
| Provision made for employees' end of service benefits (Note 16) | 6,298,363 | 5,760,105 |
| Other employee benefits | 1,922,552 | 1,497,435 |
| Manpower subcontract charges | 3,580,182 | 3,003,889 |
| Depreciation of property, plant and equipment (Note 5) | 89,072,543 | 73,305,953 |
| Amortization of intangible assets (Note 8) | 6,070,790 | 6,646,815 |
| Provision for impairment on trade receivables (Note 9) | 6,099,794 | 1,760,000 |
| Repairs and maintenance | 33,854,685 | 32,808,025 |
| Legal and professional fees | 3,226,202 | 2,310,955 |
| Rent | 3,014,819 | 1,505,404 |
| Fuel | 16,949,871 | 18,031,188 |
| Water and electricity | 14,196,824 | 8,341,963 |
| Insurance | 4,725,441 | 2,650,193 |
| Communication and postage | 2,135,289 | 2,017,650 |
| Advertisement | 1,140,937 | 1,317,430 |
| Travelling expenses | 823,712 | 1,088,591 |
| License and registration fees | 1,992,116 | 1,294,582 |
| Other expenses | 20,313,488 | 16,697,576 |
| | **599,614,603** | 511,724,595 |

## 22. FINANCE COSTS, NET

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Interest income on bank deposits | (231,449) | (212,927) |
| Interest expense on loans and borrowings | 35,105,832 | 36,096,820 |
| | **34,874,383** | 35,883,893 |

## 23. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period attributable to shareholders of the parent by the weighted average number of shares outstanding during the year.

The dilutive earnings per share based on the issued shares during the year are equal to the basic earnings per share.

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Profit attributable to the owners of the Company | **185,157,147** | 140,272,150 |
| Weighted average number of shares | **47,560,975** | 47,560,975 |
| **Basic and diluted earnings per share** | **3.89** | 2.95 |

During the year the Company made a rights issue of shares which were subscribed but not yet issued (Note 12). In accordance with the decision dated 13 September 2015 (Note 12) the new shares to be issued pursuant to the rights issue will be entitled to dividends declared as from the year ended 31 December 2015. As a result, the EPS will be diluted as at 31 December 2015. Accordingly, the above reported diluted earnings per share have been restated for the years ended 31 December 2015 and 31 December 2014.

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

| | **2015** | 2014 |
|---|---|---|
| Qualifying shares on 1 January | 47,560,975 | 47,560,975 |
| Effect of rights issue | 3,828,657 | 3,039,336 |
| **31 December** | **51,389,632** | 50,600,311 |

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Profit attributable to the owners of the Company | 185,157,147 | 140,272,150 |
| Weighted average number of shares (diluted) | 51,389,632 | 50,600,311 |
| **Diluted earnings per share (including rights issue)** | **3.60** | 2.77 |

## 24. CONTINGENCIES AND COMMITMENTS

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Letters of guarantee | 23,812,992 | 20,966,956 |
| Performance bonds | 136,753,562 | 57,886,143 |
| | **160,566,554** | 78,853,099 |

The Group has entered into capital commitments relating to certain construction contracts amounting to QR 789 million (2014: QR 117.5 million).

## 25. OPERATING LEASES

***Leases as lessee***

The Group leases a number of plots of land under operating leases from the State of Qatar. These leases run for a period of 5 to 30 years with an option to the Group for renewal on their expiry.

All the land leases were classified since their inception as operating leases. The Group does not have an interest in the residual value of the land. As a result, it was determined that substantially all of the risks and rewards of the land are with the lessor.

*Future minimum rentals payments*

The future lease payments under non-cancellable operating leases were payable as follows:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Less than one year | 3,473,059 | 3,665,824 |
| Between one and five years | 13,892,237 | 14,716,115 |
| More than five years | 39,999,961 | 44,708,837 |
| | **57,365,257** | 63,090,776 |

The amounts recognised in the consolidated statement of profit or loss in respect of the land plot leases were as follows:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Lease expense | (2,987,720) | (3,672,354) |
| Sub-lease income | 18,919,021 | 16,340,279 |
| | **15,931,301** | 12,667,925 |

## 25. OPERATING LEASES (CONTINUED)

***Leases as lessor***

A number of land plots leased by the Group from the State of Qatar (see above) have been sub leased to third parties and have been classified as investment property (Note 7).

*Future minimum rental income*

The future minimum lease income under non-cancellable leases was as follows:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Less than one year | 12,775,452 | 15,554,136 |
| Between one and five years | 11,368,408 | 11,824,918 |
| | **24,143,860** | 27,379,054 |

## 26. SEGMENT INFORMATION

***Basis for segmentation***

The Group has the following three strategic divisions, which are its reportable segments. These divisions offer different services, and are managed by the Group separately for the purpose of making decisions about resource allocation and performance assessment.

The following summary describes the operations of each reportable segment.

| **Reportable segments** | **Operations** |
|---|---|
| Logistics | Storage, handling, packing and transportation |
| Freight forwarding | Freight services through land, air and sea |
| Others | Trading |

The Group's Chief Executive Officer reviews the internal management reports of each division at least quarterly.

There are varying level of integration between the logistics and freight forwarding segments. Inter-segment pricing is determined on an arm's length basis.

The following table presents revenue and profit information regarding the Group's operating segments.

| | **31 December 2015** | | 31 December 2014 | |
|---|---|---|---|---|
| **Operating segments** | Segment revenue | Segment profit | Segment revenue | Segment profit |
| Logistics | 535,443,532 | 145,607,248 | 462,287,566 | 106,610,069 |
| Freight forwarding | 252,500,582 | 11,451,416 | 191,586,654 | 4,991,733 |
| Others | - | | 3,117,263 | 250,043 |
| Unallocated | - | 28,098,483 | - | 28,420,305 |
| | **787,944,114** | **185,157,147** | 656,991,483 | 140,272,150 |

## 26. SEGMENT INFORMATION (CONTINUED)

The following table presents segment assets as at 31 December 2015 and 31 December 2014:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| **Operating segments** | | |
| Logistics | 2,157,693,238 | 1,718,931,793 |
| Freight forwarding | 163,418,805 | 157,870,529 |
| Others | 8,810,224 | 12,223,576 |
| Unallocated | 650,613,421 | 212,968,860 |
| | **2,980,535,688** | 2,101,994,758 |

The segment revenue is generated mainly from the State of Qatar. The revenue generated from the overseas operations is insignificant.

## 27. FINANCIAL RISK MANAGEMENT

***Credit risk***

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of each class of receivables mentioned below. The Group does not hold any collateral as security:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Bank balances | 148,053,016 | 153,701,763 |
| Trade receivables | 206,360,965 | 119,875,891 |
| Other receivables | 8,882,313 | 8,976,740 |
| | **363,296,294** | 282,554,394 |

The ageing analysis of trade receivables is as follows:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Not past due | 28,497,265 | 21,004,909 |
| Past due 0-30 days | 43,492,295 | 34,339,710 |
| Past due 31-60 days | 36,650,813 | 22,926,771 |
| Past due 61-90 days | 20,239,878 | 13,047,867 |
| More than 90 days | 77,480,714 | 28,556,634 |
| | **206,360,965** | 119,875,891 |

The carrying amounts of the Group's trade and other receivables are denominated mainly in Qatari Riyals.

## 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

***Liquidity risk***

At the reporting date, a reasonably possible changes of 100 basis points in interest rates would have increased / (decreased) equity and profit or loss by the amounts showing below:

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Variable rate loans and borrowings | **13,731,750** | 10,627,317 |

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

| **2015** | **Carrying Amount** | **Contractual cash flows** | **1-12 months** | **1-5 years** | **More than 5 years** |
|---|---|---|---|---|---|
| Trade and other payables | 172,742,903 | (172,742,903) | (172,742,903) | - | - |
| Loans and borrowings | 1,373,175,007 | (1,591,335,862) | (183,678,537) | (741,447,043) | (666,210,282) |
| **At 31 December** | **1,545,917,910** | **(1,764,078,765)** | **(356,421,440)** | **(741,447,043)** | **(666,210,282)** |

| 2014 | Carrying Amount | Contractual cash flows | 1-12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|
| Trade and other payables | 149,223,613 | (149,223,613) | (149,223,613) | - | - |
| Loans and borrowings | 1,062,731,651 | (1,331,734,761) | (85,538,010) | (809,417,981) | (436,778,770) |
| At 31 December | 1,211,955,264 | (1,480,958,374) | (234,761,623) | (809,417,981) | (436,778,770) |

***Fair value measurement***

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Management did not disclose the fair values of its financial instruments (trade and other receivables, cash and cash equivalents, bank loans, and trade and other payables, because their carrying amounts approximate their fair values.

## 28. COMPARATIVE FIGURES

The comparative figures for the previous period have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported net profits, net assets or equity.

## 29. SUBSEQUENT EVENTS

There were no significant events after the reporting date, which have a bearing on the understanding of these consolidated financial statements

**Independent Auditor's report on pages 1 and 2.**