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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2014 (UNAUDITED)

EY
Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

RSM Albazie & Co.
Public Accountants

RSM Albazie & Co.
Kuwait Airways Building, 7th floor, Shuhada Street
P. O. Box 2115, Safat - 13022 State of Kuwait
T +965 22961000 F +965 22412761
mail@albazie.com www. albazie.com

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AGILITY PUBLIC WAREHOUSING COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Agility Public Warehousing Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 31 March 2014 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As further discussed in Note 11(b) to the interim condensed consolidated financial information, during the year ended 31 December 2006, a performance guarantee amounting to KD 10.1 million was called by a counterparty in relation to non performance of obligations under a contract operated by a subsidiary of the Parent Company and encashed during the year ended 31 December 2007. The amount was not expensed in the consolidated financial statements in respect of the year ended 31 December 2006, which in our opinion, is not in accordance with International Financial Reporting Standards. We have qualified our audit opinions and review conclusions in this regard on the consolidated financial statements since 31 December 2006. In 2009, the expert department of the Ministry of Justice issued a report on this matter which stated that the verdict should be issued in favour of the subsidiary in respect of most of the issues arising from the case. Pending final court ruling on this matter, in our conclusion, other current assets should be decreased by KD 10.1 million and retained earnings attributable to the equity holders of the Parent Company should be decreased by KD 6.1 million and non-controlling interests should be decreased by KD 4.0 million.

Qualified Conclusion

Based on our review, except for the effect of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

EY
Building a better working world

RSM Albazie & Co.
Public Accountants

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AGILITY PUBLIC WAREHOUSING COMPANY K.S.C.P. (continued)

Emphasis of Matter
We draw attention to:

(i) Note 2 to the interim condensed consolidated financial information which describes that the Parent Company was indicted by a federal grand jury in the United States of America ("US") on multiple counts of False Claims Act Violations. Furthermore, the United States Department of Justice also joined a civil qui tam lawsuit against the Parent Company under the False Claims Act. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings. The Group Companies (including the Parent Company) are suspended from bidding for new contracts with the US Government pending the outcome of the cases. The Group is also engaged in settlement discussions with the US Department of Justice. The ultimate outcome of these matters cannot presently be determined, and therefore no provision has been made in the interim condensed consolidated financial information; and

(ii) Note 11(a) to the interim condensed consolidated financial information which describes the contingencies relating to the investigations into the freight forwarding business.

Our conclusion is not further qualified in respect of the matters set out above.

Report on Other Legal and Regulatory Requirements
Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the three months period ended 31 March 2014 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

NAYEF M. AL-BAZIE
LICENCE NO. 91 A
RSM Albazie & Co.

8 May 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014 (Unaudited)

	Notes	31 March 2014 KD 000's	(Audited) 31 December 2013 KD 000's	31 March 2013 KD 000's
ASSETS				
Non-current assets				
Property, plant and equipment		**170,605**	170,789	187,568
Projects in progress		**25,714**	25,101	18,908
Investment properties		**213,922**	213,642	214,648
Intangible assets		**36,254**	37,156	39,742
Goodwill		**244,914**	244,360	250,488
Investment in an associate	4	**31,079**	-	-
Financial assets at fair value through profit or loss	5	**101,139**	129,211	124,338
Financial assets available for sale		**22,755**	22,638	24,420
Other non-current assets		**41,664**	43,866	35,864
Loan to an associate	5	**28,163**	28,246	28,602
Total non-current assets		**916,209**	915,009	924,578
Current assets				
Inventories		**17,274**	15,125	9,711
Trade receivables		**259,845**	256,185	275,918
Other current assets		**82,213**	73,207	77,082
Bank balances and cash	6	**158,730**	152,736	166,269
Total current assets		**518,062**	497,253	528,980
TOTAL ASSETS		**1,434,271**	1,412,262	1,453,558
EQUITY AND LIABILITIES				
EQUITY				
Share capital		**109,918**	109,918	104,684
Share premium		**152,650**	152,650	152,650
Statutory reserve		**54,959**	54,959	52,342
Treasury shares	7	**(45,038)**	(45,038)	(45,038)
Treasury shares reserve		**44,366**	44,366	44,366
Foreign currency translation reserve		**(26,253)**	(27,070)	(8,978)
Hedging reserve		**(17,045)**	(17,090)	(17,258)
Investment revaluation reserve		**80**	80	15
Other reserves		**(24,818)**	(24,818)	(19,553)
Retained earnings		**640,806**	629,569	631,162
Equity attributable to equity holders of the Parent Company		**889,625**	877,526	894,392
Non-controlling interests		**20,739**	19,109	15,709
Total equity		**910,364**	896,635	910,101
LIABILITIES				
Non-current liabilities				
Interest bearing loans	8	**36,440**	36,957	40,444
Provision for employees' end of service benefits		**32,633**	32,481	35,277
Other non-current liabilities		**29,802**	29,053	30,970
Total non-current liabilities		**98,875**	98,491	106,691
Current liabilities				
Trade and other payables		**383,877**	376,266	394,154
Interest bearing loans	8	**33,933**	33,306	35,148
Dividends payable		**7,222**	7,564	7,464
Total current liabilities		**425,032**	417,136	436,766
Total liabilities		**523,907**	515,627	543,457
TOTAL EQUITY AND LIABILITIES		**1,434,271**	1,412,262	1,453,558

Henadi Al Saleh
Chairman

Tarek Abdul Aziz Sultan
Vice Chairman and CEO

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2014 (Unaudited)

	Notes	*Three months ended 31 March* 2014 KD 000's	2013 KD 000's
Revenues			
Logistics and freight forwarding revenues		**285,925**	325,002
Rental revenues		**11,148**	10,304
Other services		**17,209**	17,260
Total revenues		**314,282**	352,566
Cost of revenues		**(223,482)**	(258,922)
Net revenues		**90,800**	93,644
General and administrative expenses		**(23,850)**	(29,777)
Salaries and employee benefits		**(47,084)**	(46,979)
Share of results of an associate	4	**199**	-
Unrealised gain on financial assets at fair value through profit or loss		**925**	3,229
Miscellaneous income		**1,495**	1,471
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		**22,485**	21,588
Depreciation		**(6,013)**	(6,659)
Amortisation		**(902)**	(905)
Profit before interest, taxation and Directors' remuneration (EBIT)		**15,570**	14,024
Interest income		**1,220**	1,369
Finance costs		**(1,694)**	(1,745)
Profit before taxation and Directors' remuneration		**15,096**	13,648
Taxation	9	**(2,070)**	(2,068)
Directors' remuneration		**(22)**	(31)
PROFIT FOR THE PERIOD		**13,004**	11,549
Attributable to:			
Equity holders of the Parent Company		**11,237**	10,131
Non-controlling interests		**1,767**	1,418
		13,004	11,549
BASIC AND DILUTED EARNINGS PER SHARE – attributable to equity holders of the Parent Company	10	**10.77 fils**	9.71 fils

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2014 (Unaudited)

	Three months ended 31 March	
	2014	*2013*
	KD 000's	*KD 000's*
Profit for the period	**13,004**	11,549
Other comprehensive income:		
Items to be reclassified to consolidated income statement in subsequent periods:		
- Foreign currency translation adjustments	**680**	8,895
- Net gain (loss) on hedge of net investments (Note 8)	**45**	(221)
Other comprehensive income	**725**	8,674
Total comprehensive income for the period	**13,729**	20,223
Attributable to:		
Equity holders of the Parent Company	**12,099**	19,374
Non-controlling interests	**1,630**	849
	13,729	20,223

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 31 March 2014 (Unaudited)

		Three months ended 31 March	
		2014	*2013*
	Notes	***KD 000's***	*KD 000's*
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration		**15,096**	13,648
Adjustments for:			
Provision for impairment of trade receivables		**530**	557
Provision for employees' end of service benefits		**2,253**	2,225
Foreign currency exchange gain		**(177)**	(234)
Share of results of an associate	4	**(199)**	-
Unrealised gain on financial assets at fair value through profit or loss		**(925)**	(3,229)
Miscellaneous income		**(1,495)**	(1,471)
Depreciation		**6,013**	6,659
Amortisation		**902**	905
Interest income		**(1,220)**	(1,369)
Finance costs		**1,694**	1,745
Operating profit before changes in working capital		**22,472**	19,436
Inventories		**(2,193)**	4,242
Trade receivables		**(3,215)**	(383)
Other current assets		**357**	(3,027)
Trade and other payables		**350**	9,012
Cash from operations		**17,771**	29,280
Taxation paid		**(1,442)**	(1,709)
Employees' end of service benefits paid		**(2,025)**	(2,218)
Net cash flows from operating activities		**14,304**	25,353
INVESTING ACTIVITIES			
Net movement in financial assets available for sale		**(290)**	(43)
Additions to property, plant and equipment		**(5,391)**	(808)
Proceeds from disposal of property, plant and equipment		-	2,817
Additions to projects in progress		**(614)**	(1,224)
Additions to investment properties		**(280)**	(58)
Additions to intangible assets		**(30)**	-
Acquisition of investment in an associate	4	**(3,292)**	-
Dividends received from an associate	4	**1,110**	-
Dividends received		**122**	243
Interest income received		**1,149**	2,047
Net movement in deposits with original maturities exceeding three months		**(3,407)**	(19,545)
Net cash flows used in investing activities		**(10,923)**	(16,571)
FINANCING ACTIVITIES			
Net movement in interest bearing loans		**656**	(4,460)
Finance cost paid		**(1,003)**	(1,432)
Dividends paid to equity holders of the Parent Company		**(342)**	(292)
Net cash flows used in financing activities		**(689)**	(6,184)
Net foreign exchange differences		**(105)**	668
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,587**	3,266
Cash and cash equivalents at 1 January		**87,546**	100,530
CASH AND CASH EQUIVALENTS AT 31 MARCH	6	**90,133**	103,796

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2014 (Unaudited)

	Attributable to equity holders of the Parent Company												
	Share capital KD 000's	*Share premium KD 000's*	*Statutory reserve KD 000's*	*Treasury shares KD 000's*	*Treasury shares reserve KD 000's*	*Foreign currency translation reserve KD 000's*	*Hedging reserve KD 000's*	*Investment revaluation reserve KD 000's*	*Other reserves KD 000's*	*Retained earnings KD 000's*	*Sub total KD 000's*	*Non-controlling interests KD 000's*	*Total equity KD 000's*
As at 1 January 2014	109,918	152,650	54,959	(45,038)	44,366	(27,070)	(17,090)	80	(24,818)	629,569	877,526	19,109	896,635
Profit for the period	-	-	-	-	-	-	-	-	-	11,237	11,237	1,767	13,004
Other comprehensive income (loss)	-	-	-	-	-	817	45	-	-	-	862	(137)	725
Total comprehensive income for the period	-	-	-	-	-	817	45	-	-	11,237	12,099	1,630	13,729
As at 31 March 2014	**109,918**	**152,650**	**54,959**	**(45,038)**	**44,366**	**(26,253)**	**(17,045)**	**80**	**(24,818)**	**640,806**	**889,625**	**20,739**	**910,364**
As at 1 January 2013 (restated) (Note 3)	104,684	152,650	52,342	(45,038)	44,366	(18,442)	(17,037)	15	(19,553)	621,031	875,018	14,860	889,878
Profit for the period	-	-	-	-	-	-	-	-	-	10,131	10,131	1,418	11,549
Other comprehensive income (loss)	-	-	-	-	-	9,464	(221)	-	-	-	9,243	(569)	8,674
Total comprehensive income for the period	-	-	-	-	-	9,464	(221)	-	-	10,131	19,374	849	20,223
As at 31 March 2013	104,684	152,650	52,342	(45,038)	44,366	(8,978)	(17,258)	15	(19,553)	631,162	894,392	15,709	910,101

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

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

The interim condensed consolidated financial information of the Parent Company and its subsidiaries (collectively, the "Group") was authorised for issue by the Board of Directors on 8 May 2014.

The principal activities of the Group are explained in Note 14.

The Annual General Assembly of the shareholders of the Parent Company for the year ended 31 December 2013 has not been held until the date of preparation of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2013 have not yet been approved by the shareholders. The interim condensed consolidated financial information for the period ended 31 March 2014 does not include any adjustments, which might have been required, had the Annual General Assembly of the shareholders of the Parent Company approved the consolidated financial statements for the year ended 31 December 2013.

The New Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 was published in the official Gazette on 6 October 2013. As per Article three of the Executive Regulations, companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2 SUBSISTENCE PRIME VENDOR AND OTHER CONTRACTS - US INVESTIGATION

During the year ended 31 December 2007, the Parent Company was served with an administrative subpoena and, subsequently in March 2008 with a grand jury subpoena, by the US Government in connection with an investigation into certain aspects of the Subsistence Prime Vendor ("SPV") Contract which expired in December 2010. In addition, some employees of the Group were served with civil investigative demands. The Parent Company cooperated with this investigation and produced numerous records in response to this request.

In November 2009, the Parent Company was indicted by a federal grand jury in United States on multiple counts of False Claims Act violations. Furthermore, The United States Department of Justice also joined the civil qui tam lawsuit against the Parent Company under the US False Claims Act. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings. The Parent Company pled not guilty to the indictment. Between February and November 2012, both the parties filed various motions and opposition briefs which are pending before the court for ruling. The Parent Company's filings included motions to dismiss the indictment on various grounds and a motion to transfer venue to another judicial district.

As a result of this indictment, the Group companies (including the Parent Company) are suspended from bidding for new contracts with the US Government pending the outcome of the cases. However, the suspension did not affect continued performance of the existing contracts.

The US Government also attempted to serve on the Parent Company, the indictment and other legal documents through the authorities in Kuwait. The Parent Company, challenged the service process and obtained an appeal judgement whereby such process was declared null and void. In addition the Court of Appeal in Kuwait precluded the US Government from serving the Parent Company and its subsidiaries any legal document in respect of the ongoing litigation in the US. The above ruling will not have any impact on the financial situation of the Group.

While the Parent Company is rigorously defending its case, it is pursuing discussions with the US Government with a view to reaching a fair and reasonable settlement of the current legal cases. However, there is no guarantee that the parties can reach a mutually agreeable settlement.

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

In addition, the US Department of Justice is currently conducting an informal investigation regarding two cost reimbursable US Government contracts in order to ascertain whether reimbursement requests for certain costs incurred by the Parent Company were proper. Furthermore, in relation to one of such contracts, the Parent Company is appealing before the "Armed Services Board of Contracts, Appeals (ASBCA)" a decision made by the contracting officer demanding repayment of approximately KD 23 million from the Parent Company. During 2011, the US Government collected KD 4.7 million out of the above claim by offsetting payments due on the Group's other US Government contracts. The Parent Company, on 19 April 2011, also filed an affirmative claim for approximately KD 13 million owed by the US Government under the contract which was denied by the Contracting Officer on 15 December 2011. The Parent Company filed an appeal before the ASBCA and decision on this appeal is currently pending.

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

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not contain all information and disclosures as required for full consolidated financial statements that are prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the three months period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. For more details, please refer to the consolidated financial statements for the year ended 31 December 2013.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") and all values are rounded to the nearest KD thousand except when otherwise indicated.

Opening balances as at 1 January 2013 were restated following the adoption of 'IAS 19 (revised): Employee Benefits' during the year ended 31 December 2013. For more details, please refer to the consolidated financial statements for the year ended 31 December 2013.

Changes in accounting policies and disclosures
The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the following new and amended International Accounting Standards Board ("IASB") Standards effective as of 1 January 2014 and adoption of accounting policy on investment in associate following the acquisition of additional investment in Gulf Warehousing Company Q.S.C. (Note 4):

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has neither derivatives designated as hedging instruments nor has novated any of them during the current period. However, these amendments would be considered for future novations.

The adoption of these standards did not have any significant or material impact on the interim condensed consolidated financial information of the Group and relevant disclosures will be made in the annual consolidated financial statements of the Group.

The Group has not early adopted any IASB standards, International Financial Reporting Interpretations Committee ("IFRIC") interpretations or amendments that have been issued but not yet effective. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

Investment in an associate (not held through a Venture Capital Organisation)
The Group's investment in an associate (not held through a Venture Capital Organisation) is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group recognises in the interim condensed consolidated income statement its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's income statement. The Group's share of those changes is recognised in other comprehensive income.

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. Whenever impairment requirements of IAS 39 indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value.

Unrealised gains on transactions with an associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The reporting date of the associate and the Group are identical and in case of different reporting date of an associate, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's interim condensed consolidated financial information. The associates' accounting policies are not materially different from the policies used by the Group for like transactions and events in similar circumstances.

4 INVESTMENT IN AN ASSOCIATE

During the period, a subsidiary of the Group acquired an additional 2.04% equity interest in Gulf Warehousing Company Q.S.C. ("GWC") (previously classified as a financial asset at fair value through profit and loss), for a purchase consideration of KD 3,292 thousand. As a result of this, the Group's equity interest in GWC increased from 18.09% to 20.13%. Following the acquisition of additional equity interest, the Group obtained significant influence over GWC and accordingly, the investment in GWC has been classified as investment in an associate and accounted for under the equity method.

The movement in carrying value of investment in an associate during the period is as follows:

	31 March 2014 KD 000's
Reclassified from financial asset at fair value through profit or loss	**28,698**
Addition (see above)	**3,292**
Share of results	**199**
Dividend received	**(1,110)**
At the end of the period	**31,079**

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2014 KD 000's	*(Audited) 31 December 2013 KD 000's*	*31 March 2013 KD 000's*
Investment in an associate – outside Kuwait	**101,103**	101,401	96,304
Derivative instrument – outside Kuwait	-	-	2,508
Quoted equity securities:			
- In Kuwait	**36**	36	36
- Outside Kuwait *	-	27,774	25,490
	101,139	129,211	124,338

The Group (through its wholly owned subsidiary, a Venture Capital Organisation) owns 23.7% indirect interest in Korek Telecom L.L.C. ("Korek Telecom"). The investment in Korek Telecom is classified as investment in an associate as the Group exercises significant influence over Korek Telecom. As this associate is held as part of Venture Capital Organization's investment portfolio, it is carried in the interim condensed consolidated statement of financial position at fair value. This treatment is permitted by IAS 28 "Investment in Associates" which allows investments held by Venture Capital Organisations to be accounted for at fair value through profit and loss in accordance with IAS 39, with changes in fair value recognised in the interim condensed consolidated income statement in the period of change.

The Group has also provided an interest bearing loan to Korek Telecom which amounts to KD 28,163 thousand at 31 March 2014 (31 December 2013: KD 28,246 thousand and 31 March 2013: KD 28,602 thousand) (Note 12).

* During the period, investment in GWC has been classified as investment in an associate following the acquisition of additional equity interest by the Group (Note 4).

6 BANK BALANCES AND CASH

	31 March 2014 KD 000's	*(Audited) 31 December 2013 KD 000's*	*31 March 2013 KD 000's*
Cash at banks and in hand	**69,011**	70,070	73,455
Short term deposits	**21,122**	17,476	30,341
Cash and cash equivalents	**90,133**	87,546	103,796
Deposits with original maturities exceeding three months	**68,597**	65,190	62,473
	158,730	152,736	166,269

Included in bank balances and cash are balances amounting to KD 80,822 thousand (31 December 2013: KD 77,510 thousand and 31 March 2013: KD 85,828 thousand) held by banks in Kuwait whereas the balance of KD 77,908 thousand (31 December 2013: KD 75,226 thousand and 31 March 2013: KD 80,441 thousand) are held by foreign banks situated outside Kuwait.

Short term deposits (with original maturities up to three months) are placed for varying periods of one day to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. Term deposits (deposits with original maturities exceeding three months) earn interest ranging from 1.25% to 2% per annum (31 December 2013: 1.25% to 1.5% per annum and 31 March 2013: 1.125% to 2% per annum).

7 TREASURY SHARES

	31 March 2014	*(Audited) 31 December 2013*	*31 March 2013*
Number of treasury shares	**55,591,985**	55,591,985	52,938,640
Percentage of issued shares	**5.06%**	5.06%	5.06%
Market value in KD 000's	**42,249**	38,914	31,233

8 INTEREST BEARING LOANS

	31 March 2014 KD 000's	*(Audited) 31 December 2013 KD 000's*	*31 March 2013 KD 000's*
Committed Term Loan obtained from a local bank and is repayable in annual instalments commencing from December 2011.	**15,208**	15,296	15,408
Committed Term Loan obtained from a local bank in December 2012 and is repayable in annual instalments commencing from April 2013.	**24,500**	24,500	27,000
Other loans	**30,665**	30,467	33,184
	70,373	70,263	75,592

8 INTEREST BEARING LOANS (continued)

Committed facility
A committed borrowing facility is one in which the lender is legally obliged to provide the funds subject to the Group complying with the terms of the loan facility agreement. A commitment fee will be usually charged to the Group on any undrawn part of the facility.

Uncommitted facility
An uncommitted borrowing facility is one in which the lender is not legally obliged to provide the funds and the facility is therefore repayable on demand.

Floating interest rate loans amounting to KD 67,025 thousand (31 December 2013: KD 62,190 thousand and 31 March 2013: KD 61,178 thousand) carry margin ranging from 0.5% to 3.5% per annum (31 December 2013: 1% to 7.4% per annum and 31 March 2013: 1% to 5% per annum) over the benchmark rates.

The following table shows the current and non-current portions of the Group's loan obligations:

	Current portion KD 000's	*Non-current portion KD 000's*	*Total KD 000's*
Balance at 31 March 2014	**33,933**	**36,440**	**70,373**
Balance at 31 December 2013 *(Audited)*	33,306	36,957	70,263
Balance at 31 March 2013	35,148	40,444	75,592

Included in interest bearing loans are loans amounting to KD 27,018 thousand (31 December 2013: KD 27,122 thousand and 31 March 2013: KD 18,305 thousand) which are held by subsidiaries in the Group. Trade receivables and certain other assets of the respective subsidiaries are pledged as collateral against these loans. Also included in interest bearing loans is a loan amounting to KD 24,500 thousand (31 December 2013: KD 24,500 thousand and 31 March 2013: KD 27,000 thousand) which is secured by a pledge of shares of a subsidiary.

Hedge of net investments in foreign operations
Included in interest bearing loans at 31 March 2014 are loans denominated in US$ (hedging instrument) of US$ 54,000 thousand (31 December 2013: US$ 54,000 thousand and 31 March 2013: US$ 54,000 thousand), which have been designated as a hedge of the net investments in the overseas subsidiaries (with functional currency US$) and are being used to hedge the Group's exposure to foreign currency exchange risk on these investments. Gains or losses on the translation of interest bearing loans are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in these subsidiaries. Foreign currency exchange gain arising on translation of the hedging instruments amounting KD 45 thousand (31 March 2013: foreign currency exchange loss of KD 221 thousand) were taken directly to other comprehensive income (hedging reserve).

9 TAXATION

	Three months ended 31 March	
	2014 KD 000's	*2013 KD 000's*
National labour support tax (NLST)	**294**	265
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	**118**	106
Zakat	**118**	106
Taxation on overseas subsidiaries	**1,540**	1,591
	2,070	2,068

10 BASIC AND DILUTED EARNINGS PER SHARE

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

	Three months ended 31 March	
	2014	*2013*
	KD 000's	*KD 000's*
		*(Restated)**
Profit for the period attributable to equity holders of the Parent Company	**11,237**	10,131
	Shares	*Shares*
Weighted average number of paid up shares	**1,099,178,539**	1,099,178,539
Weighted average number of treasury shares	**(55,591,985)**	(55,591,985)
Weighted average number of outstanding shares	**1,043,586,554**	1,043,586,554
Basic and diluted earnings per share – attributable to equity holders of the Parent Company	**10.77 fils**	9.71 fils

* Basic and diluted earnings per share for the comparative period presented have been restated to reflect the issue of bonus shares in respect of the year ended 31 December 2012.

11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group has contingent liabilities and capital commitments at the reporting date as follows:

	31 March 2014	*(Audited) 31 December 2013*	*31 March 2013*
	KD 000's	*KD 000's*	*KD 000's*
Letters of guarantee	**90,967**	91,046	92,828
Operating lease commitments	**33,051**	34,838	38,763
Capital commitments	**3,836**	3,846	4,948
	127,854	129,730	136,539

Included in letters of guarantee are bank guarantees of KD 31,405 thousand (31 December 2013: KD 31,405 thousand and 31 March 2013: KD 31,405 thousand), provided by a bank on behalf of the subsidiary, Global Clearing House Systems K.S.C. (Closed), to the General Administration of Customs in the State of Kuwait. These guarantees are issued by the bank on a non-recourse basis to the Group.

Legal claims

(a) Freight forwarding business - investigation
In October 2007, certain subsidiaries (involved in the freight forwarding business) in the Group along with other major players in the freight forwarding industry received requests for information from the competition authorities of the EU, the United States and other jurisdictions in connection with an industry-wide investigation into the setting of surcharges and fees. These subsidiaries are fully cooperating with the respective authorities.

11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(a) Freight forwarding business – investigation (continued)
In July 2009, a subsidiary was named as a defendant in a class action lawsuit filed in the Eastern District of New York, along with a number of other freight forwarding companies, regarding surcharges and fees for services. In November 2009, the defendants filed motions to dismiss the claims. On 13 August 2012, the court granted in part and denied in part the defendants' motions to dismiss and dismissed all but one of the claims asserted in the complaint. The court also granted the plaintiffs' leave to file an amended complaint. Plaintiffs filed a Third Amended Class Action Complaint ("TAC") on 15 November 2012. The defendants filed motions to dismiss plaintiffs' claims on 27 February 2013 and oral argument was held on the motions on 13 June 2013. On 20 September 2013, the Magistrate issued a Reports & Recommendation ("Report") on the motions, recommending that the District Court grant them in part and deny them in part. The District Court adopted the report on 28 January 2014, and ordered that the subsidiary be dismissed from the TAC and that plaintiffs be permitted to add another subsidiary of the Parent Company as a defendant. Accordingly summons were served on the subsidiary on 4 February 2014. Discovery is currently underway. The ultimate outcome of this litigation is uncertain at this time.

On 26 November 2009 the Italian Competition Authority (ICA) opened an investigation into the activities of some 20 freight forwarding companies including Agility's subsidiary in Italy. The ICA issued its final decision on 15 June 2011, imposing a total fine of KD 55 thousand (Euro 139 thousand) on Agility. This decision is being appealed by other third parties before the court which is yet to pronounce its decision.

In August 2010 the Brazilian competition authority ("CADE") opened an investigation in to the activities of the freight forwarding industry which included the Parent Company. The investigation is currently ongoing. The Brazilian competition authority purported to serve a notice on the Parent Company through its Brazilian subsidiary. The Parent Company has to date rejected the validity of service of the notice. However, the Brazilian competition authority has indicated that it considers the notice to the Parent Company duly served. The Parent Company is taking steps to contest the validity of the service of process in the Brazilian courts.

In December 2011, the Competition Commission Singapore (CCS) opened an investigation into the activities of the freight forwarding industry which included two of Agility's subsidiaries. No formal charges have been brought against the subsidiaries at this time.

As at 31 March 2014, due to inherent uncertainty surrounding these investigations, the Group's management (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigations and in view of the difficulty in quantifying any additional potential liabilities in this regard, no provision is recorded in the accompanying interim condensed consolidated financial information.

(b) Guarantee encashment
A Resolution was issued by the General Administration of Customs for Kuwait ("GAC") to cash a portion, amounting to KD 10,092 thousand of the bank guarantee submitted by Global Clearing House Systems K.S.C. (Closed) (the "Company"), a subsidiary of the Parent Company, in favour of GAC. Pursuant to this resolution, GAC called the above guarantee during the year ended 31 December 2007. This Resolution is being appealed through case No. 224/2007 "Administrative - 7".

The Parent Company (after consulting the external counsel) is of the opinion that the purported violations against which a portion of the bank guarantee provided was encashed, are not in accordance with the contract, and a verdict shall be issued in favour of the Company to return the encashed portion of the guarantee plus interest of 7%. In 2009, the Company obtained a report from the expert department of Ministry of Justice on this matter which was in favour of the Company in respect of most of the issues arising from the case. Accordingly, no expense is recorded in the consolidated income statement.

In 2013, GAC also filed a legal claim against the Company for an amount of KD 48,000 thousand towards fees and KD 53,400 thousand towards penalty in relation to an ongoing contract with GAC. The Parent Company (after consulting the external counsel) is of the view that this claim is not in accordance with the contract as GAC did not fulfil its obligations in the respect of this matter. Accordingly, no expense is required to be recorded in the interim condensed consolidated income statement.

11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

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

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

12 RELATED PARTY TRANSACTIONS

As per the International Accounting Standard (IAS) 24: Related Party Disclosures, related parties represent major shareholders, directors and key management personnel of the Group, and entities which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions and balances with related parties are as follows:

			Three month ended 31 March	
	Major shareholders KD 000's	*Other related parties KD 000's*	***2014 Total KD 000's***	*2013 Total KD 000's*
Interim condensed consolidated income statement				
Revenues	-	219	**219**	271
General and administrative expenses	17	9	**26**	18
Interest income	-	793	**793**	798
Finance costs	-	237	**237**	211

	Major shareholders KD 000's	*Other related Parties KD 000's*	***31 March 2014 Total KD 000's***	*(Audited) 31 December 2013 Total KD 000's*	*31 March 2013 Total KD 000's*
Interim condensed consolidated statement of financial position					
Advance to a related party	5,000	-	**5,000**	5,000	5,000
Amounts due from related parties	-	246	**246**	326	162
Loan to an associate (Note 5)	-	28,163	**28,163**	28,246	28,602
Amounts due to related parties	187	15,091	**15,278**	15,073	20,696

Advance to a related party amounting to KD 5,000 thousand (31 December 2013: KD 5,000 thousand and 31 March 2013: KD 5,000 thousand) represents amount paid to acquire an investment.

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

12 RELATED PARTY TRANSACTIONS (continued)

A portion of the amounts due to related parties carry an interest of 6.5% per annum (31 December 2013: 6.5% per annum and 31 March 2013: 6.5% per annum).

Compensation of key management personnel	*Three months ended 31 March*	
	2014	*2013*
	KD 000's	*KD 000's*
Short-term benefits	**355**	387

13 PROPOSED DIVIDEND

On 23 March 2014, the Board of Directors of the Parent Company recommended a cash dividend of 40 fils per share (2012: 30 fils per share) and bonus shares of 5% (2012: 5%) in respect of the year ended 31 December 2013. This proposal is subject to approval by the shareholders at the Annual General Assembly of the Parent Company.

14 OPERATING SEGMENT INFORMATION

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

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

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

Three months ended 31 March 2014	*Logistics and related services*	*Infrastructure*	*Adjustments and eliminations*	***Total***
	KD 000's	*KD 000's*	*KD 000's*	***KD 000's***
Revenues				
External customers	**253,212**	**61,070**	**-**	**314,282**
Inter-segment	**83**	**1,660**	**(1,743)**	**-**
Total revenues	**253,295**	**62,730**	**(1,743)**	**314,282**
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	**2,066**	**16,939**	**3,480**	**22,485**
Depreciation				**(6,013)**
Amortisation				**(902)**
Profit before interest, taxation and Directors' remuneration (EBIT)				**15,570**
Interest income				**1,220**
Finance costs				**(1,694)**
Profit before taxation and Directors' remuneration				**15,096**
Taxation and Directors' remuneration				**(2,092)**
Profit for the period				**13,004**

14 OPERATING SEGMENT INFORMATION (continued)

Three months ended 31 March 2013	*Logistics and related services* *KD 000's*	*Infrastructure* *KD 000's*	*Adjustments and eliminations* *KD 000's*	*Total* *KD 000's*
Revenues				
External customers	296,963	55,603	-	352,566
Inter-segment	40	1,985	(2,025)	-
Total revenues	297,003	57,588	(2,025)	352,566
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	4,348	17,967	(727)	21,588
Depreciation				(6,659)
Amortisation				(905)
Profit before interest, taxation and Directors' remuneration (EBIT)				14,024
Interest income				1,369
Finance costs				(1,745)
Profit before taxation and Directors' remuneration				13,648
Taxation and Directors' remuneration				(2,099)
Profit for the period				11,549

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

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

As at the reporting date, the fair value of the Group's financial assets [with the exception of financial assets available for sale carried at cost amounting to KD 19,218 thousand (31 December 2013: KD 18,968 thousand and 31 March 2013: KD 24,420 thousand)] and financial liabilities were not materially different from their carrying values.

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

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

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

15 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Level 1 *KD'000*	*Level 3* *KD'000*	*Total fair value* *KD'000*
31 March 2014			
Financial assets at fair value through profit or loss:			
Investment in an associate	-	**101,103**	**101,103**
	-	**101,103**	**101,103**
Financial assets available for sale:			
Unquoted equity securities	-	**3,537**	**3,537**
	-	**104,640**	**104,640**
31 December 2013			
Financial assets at fair value through profit or loss:			
Investment in an associate	-	101,401	101,401
Quoted equity securities	27,810	-	27,810
	27,810	101,401	129,211
Financial assets available for sale:			
Unquoted equity securities	-	3,670	3,670
	27,810	105,071	132,881
31 March 2013			
Financial assets at fair value through profit or loss:			
Investment in an associate	-	96,304	96,304
Quoted equity securities	25,526	-	25,526
Derivative instrument	-	2,508	2,508
	25,526	98,812	124,338

There was no material movement in the level 3 financial instruments balance and no transfers between the fair value hierarchies during the period.

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

Financial assets at fair value through profit or loss:
The fair value of the Group's investment in an associate (held through a Venture Capital Organisation) has been determined using the discounted cash flow ("DCF") method. The following significant unobservable valuation inputs have been used for the determination of fair value:

Significant unobservable input	*Sensitivity of the input to fair value*
Weighted average cost of capital (WACC)	A 1% increase / decrease in WACC will result in a decrease / increase in fair values by KD 4,859 thousand and KD 5,060 thousand respectively.
Enterprise Value/EBITDA multiple	A 5% increase / decrease in the multiple will result in an increase / decrease in fair value by KD 5,392 thousand.

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