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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2017 (UNAUDITED)

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.
Arraya Tower 2, Floors 41 & 42
Abdulaziz Hamad Alsaqar St., Sharq
P.O. Box 2115, Safat 13022, State of Kuwait
T +965 22961000
F +965 22412761
www.rsm.global/kuwait

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 30 June 2017 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended and interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the six 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 stated in Note 4 to the interim condensed consolidated financial information, the Group's investment in Korek Telecom and its related loan ("Korek") is carried at KD 108,847 thousand (31 December 2016: KD 109,881 thousand) and KD 35,260 thousand (31 December 2016: KD 35,569 thousand) respectively, in the interim condensed consolidated statement of financial position as at 30 June 2017. Further, the Group filed an arbitration related to its investment in Korek. We were unable to obtain sufficient appropriate evidence about the investment in Korek and the recoverability of the loan as at 30 June 2017 due to the nature and significant uncertainty around the investment and outcome of the arbitration. Consequently, we were unable to determine whether any adjustments to the investment and loan to Korek was necessary.

Qualified Conclusion

Based on our review, except for the possible effect of the matter described in the Basis for Qualified Conclusion 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
RSM Albazie & Co.

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 claimed substantial damages for alleged violations in both the criminal and civil proceedings. During the period ended 30 June 2017, the Group entered into a settlement agreement resolving all outstanding claims against the Group.; and

(ii) Note 9(b) to the interim condensed consolidated financial information which describe the contingencies relating to investigations into litigations with the General Administration of Customs for Kuwait.

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. 1 of 2016, as amended, and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

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

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

8 August 2017
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 (Unaudited)

	Notes	***30 June 2017 KD 000's***	*(Audited) 31 December 2016 KD 000's*	*30 June 2016 KD 000's*
ASSETS				
Non-current assets				
Property, plant and equipment		**276,079**	251,997	248,034
Projects in progress		**17,799**	16,501	18,798
Investment properties		**269,335**	268,686	261,925
Intangible assets		**27,969**	29,978	31,973
Goodwill		**246,808**	245,989	246,159
Investment in associates		**51,945**	51,167	48,323
Financial assets at fair value through profit or loss	4	**108,883**	109,917	108,460
Financial assets available for sale		**33,406**	35,497	34,723
Other non-current assets		**28,166**	34,831	33,343
Loan to a related party	10	**35,402**	20,339	16,026
Loan to an associate	4	**35,260**	35,569	35,098
Total non-current assets		**1,131,052**	1,100,471	1,082,862
Current assets				
Inventories		**15,927**	14,390	15,725
Trade receivables		**276,093**	241,146	234,004
Other current assets		**100,245**	93,725	78,429
Bank balances and cash	5	**79,792**	94,305	86,929
Total current assets		**472,057**	443,566	415,087
TOTAL ASSETS		**1,603,109**	1,544,037	1,497,949
EQUITY AND LIABILITIES				
EQUITY				
Share capital		**121,185**	121,185	121,185
Share premium		**152,650**	152,650	152,650
Statutory reserve		**60,593**	60,593	60,593
Treasury shares	6	**(49,239)**	(45,288)	(45,288)
Treasury shares reserve		**44,366**	44,366	44,366
Foreign currency translation reserve		**(24,905)**	(22,918)	(21,059)
Hedging reserve		**(17,697)**	(17,801)	(18,359)
Investment revaluation reserve		**1,836**	1,836	1,294
Other reserves		**(35,430)**	(35,397)	(31,225)
Retained earnings		**692,759**	661,356	630,432
Equity attributable to equity holders of the Parent Company		**946,118**	920,582	894,589
Non-controlling interests		**31,626**	28,660	25,658
Total equity		**977,744**	949,242	920,247
LIABILITIES				
Non-current liabilities				
Interest bearing loans		**86,559**	86,911	77,363
Provision for employees' end of service benefits		**49,107**	46,301	43,340
Other non-current liabilities		**10,735**	11,769	13,472
Total non-current liabilities		**146,401**	144,981	134,175
Current liabilities				
Interest bearing loans		**102,257**	52,492	55,561
Trade and other payables		**368,694**	388,821	373,751
Dividends payable		**8,013**	8,501	14,215
Total current liabilities		**478,964**	449,814	443,527
Total liabilities		**625,365**	594,795	577,702
TOTAL EQUITY AND LIABILITIES		**1,603,109**	1,544,037	1,497,949

Tarek Abdul Aziz Sultan
Vice Chairperson and CEO

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 June 2017 (Unaudited)

	Notes	*Three months ended 30 June* 2017 KD 000's	*Three months ended 30 June* 2016 KD 000's	*Six months ended 30 June* 2017 KD 000's	*Six months ended 30 June* 2016 KD 000's
Revenues					
Logistics and freight forwarding revenues		**294,382**	268,642	**570,868**	532,170
Rental revenues		**15,141**	13,586	**29,917**	26,813
Other services		**32,533**	26,232	**61,813**	48,311
Total revenues		**342,056**	308,460	**662,598**	607,294
Cost of revenues		**(224,265)**	(201,014)	**(433,977)**	(397,800)
Net revenues		**117,791**	107,446	**228,621**	209,494
General and administrative expenses		**(34,477)**	(31,241)	**(64,566)**	(60,383)
Salaries and employee benefits		**(52,938)**	(50,402)	**(104,725)**	(99,167)
Reversal of provisions	2	**29,505**	-	**29,505**	-
Settlement of litigation claims	2	**(28,785)**	-	**(28,785)**	-
Share of results of associates		**1,080**	1,055	**1,907**	1,965
Gain on bargain purchase on acquisition of subsidiary		-	1,045	-	1,045
Miscellaneous income		**448**	721	**1,438**	1,892
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		**32,624**	28,624	**63,395**	54,846
Depreciation		**(6,941)**	(7,083)	**(14,528)**	(13,695)
Amortisation		**(1,001)**	(1,012)	**(2,009)**	(2,022)
Profit before interest, taxation and Directors' remuneration (EBIT)		**24,682**	20,529	**46,858**	39,129
Interest income		**734**	187	**1,506**	323
Finance costs		**(2,662)**	(1,480)	**(5,182)**	(2,732)
Profit before taxation and Directors' remuneration		**22,754**	19,236	**43,182**	36,720
Taxation	7	**(2,689)**	(1,853)	**(5,061)**	(3,867)
Directors' remuneration		**(35)**	(35)	**(70)**	(70)
PROFIT FOR THE PERIOD		**20,030**	17,348	**38,051**	32,783
Attributable to:					
Equity holders of the Parent Company		**16,844**	15,024	**31,403**	28,129
Non-controlling interests		**3,186**	2,324	**6,648**	4,654
		20,030	17,348	**38,051**	32,783
BASIC AND DILUTED EARNINGS PER SHARE – attributable to Equity holders of the Parent Company (fils)	8	**13.39**	11.87	**24.92**	22.23

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2017 (Unaudited)

	Three months ended 30 June		*Six months ended 30 June*	
	2017	*2016*	***2017***	*2016*
	KD 000's	*KD 000's*	***KD 000's***	*KD 000's*
Profit for the period	**20,030**	17,348	**38,051**	32,783
Other comprehensive income:				
Items are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:				
- Foreign currency translation adjustments	**(1,655)**	3,226	**(936)**	(7,347)
- Gain on hedge of net investments	**64**	3	**144**	72
- Loss on cash flow hedges	**(77)**	(206)	**(40)**	(206)
Other comprehensive (loss) income	**(1,668)**	3,023	**(832)**	(7,481)
Total comprehensive income for the period	**18,362**	20,371	**37,219**	25,302
Attributable to:				
Equity holders of the Parent Company	**15,896**	18,140	**29,520**	22,069
Non-controlling interests	**2,466**	2,231	**7,699**	3,233
	18,362	20,371	**37,219**	25,302

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2017 (Unaudited)

		Six months ended 30 June	
	Notes	***2017 KD 000's***	*2016 KD 000's*
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration		**43,182**	36,720
Adjustments for:			
Provision for impairment of trade receivables		**647**	660
Provision for employees' end of service benefits		**5,006**	4,915
Foreign currency exchange loss (gain)		**455**	(785)
Share of results of associates		**(1,907)**	(1,965)
Gain on bargain purchase on acquisition of a subsidiary		**-**	(1,045)
Reversal of provisions	2	**(29,505)**	-
Settlement of litigation claims	2	**28,785**	-
Miscellaneous income		**(1,438)**	(1,892)
Depreciation		**14,528**	13,695
Amortisation		**2,009**	2,022
Interest income		**(1,506)**	(323)
Finance costs		**5,182**	2,732
Operating profit before changes in working capital		**65,438**	54,734
Inventories		**(1,655)**	(3,777)
Trade receivables		**(29,704)**	(169)
Other current assets		**(2,296)**	(5,547)
Trade and other payables		**2,078**	(6,691)
Cash from operations		**33,861**	38,550
Settlement of litigation claims		**(28,785)**	-
Taxation paid		**(5,199)**	(3,068)
Employees' end of service benefits paid		**(4,008)**	(4,207)
Directors remuneration paid		**(140)**	(140)
Net cash flows (used in) from operating activities		**(4,271)**	31,135
INVESTING ACTIVITIES			
Net movement in financial assets available for sale		**673**	869
Additions to property, plant and equipment		**(29,744)**	(36,078)
Proceed from disposal of property plant and equipment		**341**	-
Loan to a related party	10	**(14,929)**	(5,875)
Net movement in other non-current assets		**-**	517
Additions to projects in progress		**(5,656)**	(2,476)
Additions to investment properties		**(649)**	(188)
Acquisition of additional interest in an associate		**-**	(517)
Dividends received from an associate		**1,698**	1,548
Acquisition of subsidiary net of cash required		**-**	(5,115)
Acquisition of additional interest in a subsidiary		**(38)**	-
Interest income received		**387**	335
Net movement in deposits with original maturities exceeding three months		**2,991**	(3,092)
Net cash flows used in investing activities		**(44,926)**	(50,072)
FINANCING ACTIVITIES			
Purchase of treasury shares		**(3,951)**	-
Net movement in interest bearing loans		**50,142**	29,257
Finance cost paid		**(5,926)**	(3,908)
Dividends paid to equity holders of the Parent Company		**(631)**	(28,809)
Dividends paid to non-controlling interests		**(2,364)**	(498)
Net cash flows from (used in) financing activities		**37,270**	(3,958)
Net foreign exchange differences		**405**	(7,322)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(11,522)**	(30,217)
Cash and cash equivalents at 1 January		**87,240**	107,207
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	**75,718**	76,990

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2017 (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 2017	121,185	152,650	60,593	(45,288)	44,366	(22,918)	(17,801)	1,836	(35,397)	661,356	920,582	28,660	949,242
Profit for the period	-	-	-	-	-	-	-	-	-	31,403	31,403	6,648	38,051
Other comprehensive (loss) income	-	-	-	-	-	(1,987)	104	-	-	-	(1,883)	1,051	(832)
Total comprehensive (loss) income for the period	-	-	-	-	-	(1,987)	104	-	-	31,403	29,520	7,699	37,219
Purchase of treasury shares	-	-	-	(3,951)	-	-	-	-	-	-	(3,951)	-	(3,951)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,728)	(4,728)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(33)	-	(33)	(5)	(38)
As at 30 June 2017	**121,185**	**152,650**	**60,593**	**(49,239)**	**44,366**	**(24,905)**	**(17,697)**	**1,836**	**(35,430)**	**692,759**	**946,118**	**31,626**	**977,744**
As at 1 January 2016	121,185	152,650	60,593	(45,288)	44,366	(15,133)	(18,225)	1,294	(31,225)	636,809	907,026	24,449	931,475
Profit for the period	-	-	-	-	-	-	-	-	-	28,129	28,129	4,654	32,783
Other comprehensive (loss) income	-	-	-	-	-	(5,926)	(134)	-	-	-	(6,060)	(1,421)	(7,481)
Total comprehensive (loss) income for the period	-	-	-	-	-	(5,926)	(134)	-	-	28,129	22,069	3,233	25,302
Dividends (Note 11)	-	-	-	-	-	-	-	-	-	(34,506)	(34,506)	-	(34,506)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,014)	(4,014)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,990	1,990
As at 30 June 2016	121,185	152,650	60,593	(45,288)	44,366	(21,059)	(18,359)	1,294	(31,225)	630,432	894,589	25,658	920,247

The attached notes 1 to 13 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 3 August 2017.

The main objectives of the Parent Company are as follows:

- Construction, management and renting of all types of warehouses.
- Warehousing goods under customs' supervision inside and outside customs areas.
- Investing the surplus funds in investment portfolios.
- Participating in, acquiring or taking over companies of similar activities or those that would facilitate in achieving the Parent Company's objectives inside or outside Kuwait.
- All types of transportation, distribution, handling and customs clearance for goods.
- Customs consulting, customs automation, modernisation and decision support.

2 SUBSISTENCE PRIME VENDOR AND OTHER CONTRACTS - US INVESTIGATION

In 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 grand jury subpoenas. 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 fraud allegations. Furthermore, The United States Department of Justice also joined the qui tam lawsuit against the Parent Company under the US False Claims Act (the "Qui Tam Proceedings"). The Department of Justice claimed substantial damages for alleged violations.

In May 2017, the Parent Company entered into a global settlement of the Qui Tam Proceedings. The Parent Company agreed to plead in the criminal portion of the case to a misdemeanor in connection with a single invoice valued at $551 (KD 167). The misdemeanor is a minor offense, unrelated to any of the original criminal charges, requiring the Parent Company to pay a maximum of $551 and no criminal fine. In the parallel civil proceedings of the case, the Parent Company agreed to pay $95 million (KD 28.8 million) in cash.. In addition, the Parent Company and the U.S. government agreed to mutual releases of all outstanding contract claims related to the SPV Contract. The global settlement and mutual dismissal of all claims by both parties allowed the company to release operational credit reserves of KD 29.5 million. The settlement resolved all outstanding issues with the U.S. government in connection with the SPV Contract for the Parent Company, its affiliates, employees, directors, and officers. It also allows the Parent Company to resume pursuit of new U.S. government contracts. Under the terms of the settlement, the U.S. government has agreed to remove the Parent Company and its subsidiaries and affiliates from the list of suspended companies on its System for Award Management (SAM) database, formerly known as the Excluded Parties List System (EPLS). Subsequently, the court approved the joint dismissal of the civil case and has set a subsequent date for hearing the criminal case.

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

In 2009, in relation to a cost reimbursable contract, the U.S. Defense Contract Audit Agency (DCAA) determined that reimbursement requests for certain costs incurred by the Parent Company were not proper, and demanded repayment of approximately KD 23 million from the Parent Company. In 2011, the US Government collected KD 4.7 million from this amount by offsetting payments due on the Group's other US Government contracts.

In November 2010, the Parent Company filed a Notice of Appeal in respect of the matter to the U.S. Armed Services Board of Contract Appeals (ASBCA). On December 10, 2014, the ASBCA ruled that it did not have subject-matter jurisdiction to review the appeal by the Parent Company.

On April 8, 2015, the Parent Company appealed the ASBCA ruling to the U.S. Court of Appeals for the Federal Circuit. As part of the same contract, the Parent Company asserted a KD 13 million claim for non-reimbursed costs. This claim was denied by the ASBCA and consolidated with the above referenced Government claim for KD 23 million. Both claims are therefore on appeal to the U.S. Court of Appeals for the Federal Circuit. The Parent Company also filed a separate complaint at the U.S. Court of Federal Claims on 7 April 2015 on a different jurisdictional basis seeking the KD 13 million affirmative claim, the KD 4.7 million which was offset by the U.S. Government as aforementioned, and a determination that the KD 23 million demanded by the US Government is invalid. On 10 March 2016 the U.S. Court of Appeals for the Federal Circuit granted a "limited remand" back to the ASBCA for the purpose of determining the real party in interest. Notwithstanding this remand, the U.S. Court of Appeals for the Federal Circuit retained jurisdiction over the appeal. On February 14, 2017, the ASBCA issued a decision concluding that the identity of the real party in interest did not affect the ASBCA's earlier decision dismissing the Parent Company's claims for lack of jurisdiction. After the ASBCA issued its decision on remand, the Federal Circuit appeal recommenced.

In October 2016, U.S. Defense Logistics Agency (DLA) sent a demand that the Parent Company reimburse the U.S. Government an amount of approximately KD 8.4 million for alleged "bottled water overcharges." The U.S. Government paid the claimed amount to the Parent Company for supplying bottled water to the U.S. military in Afghanistan in 2005. DLA claimed that the Parent Company misrepresented the price of bottled water because PWC's supplier, Supreme Foodservice, charged an artificially-high price for the water that Supreme sold to the Parent Company. DLA did not present any evidence that the Parent Company was complicit in, or had any actual or constructive knowledge of, Supreme's fraud at the time the Parent Company purchased bottled water from Supreme. On March 1, 2017, DLA sent a letter threatening to take offsets against amounts due under other U.S. government contracts. On March 8, 2017, the Parent Company requested deferment of the offsets based on the differing contractual parties and the Parent Company's appeal which is pending at the U.S. Court of Federal Claims. In May 2017, under a Global settlement agreement signed with DLA covering various other claims and counter claims, the Parent Company settled this case without prejudice.

3 SIGNIFICANT ACCOUNTING POLICIES

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

The interim condensed consolidated financial information does not include all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. In the opinion of management, all adjustments considered necessary for a fair presentation have been included in the interim condensed consolidated financial information. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD").

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures
The accounting policies used in the preparation of this 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 2016, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 KD 000's	*(Audited) 31 December 2016 KD 000's*	*30 June 2016 KD 000's*
Investment in an associate – outside Kuwait	**108,847**	109,881	108,424
Quoted equity securities:			
- In Kuwait	**36**	36	36
	108,883	109,917	108,460

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 or loss in accordance with IAS 39, with changes in fair value recognised in the interim condensed consolidated statement of income in the period of change.

Korek Litigation
In February 2017, the Parent Company filed a request for arbitration against the Republic of Iraq pursuant to Article 36 of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID"), and Article 10 of the Agreement between the Government of the State of Kuwait and the Government of the Republic of Iraq for Reciprocal Promotion and Protection of Investments (the "2015 BIT"). The claim arises from a series of actions and inactions of the Iraqi government, including its regulatory agency (CMC) relating to an alleged decision by the CMC to annul the previous written consent granted in connection with the Parent Company's investment in Korek Telecom. Without limitation, the Parent Company's claims relate to Iraq's failure to treat the Parent Company's investment of over $380 million fairly and equitably, its failure to accord the Parent Company with due process, as well as the indirect expropriation of that investment, each in breach of the 2015 BIT. On 24 February, 2017, the Parent Company's request for arbitration was formally registered with ICSID. The parties are currently in the process of constituting the arbitral tribunal. Currently and as the dispute remains pending without legal resolution and in the absence of clarity, the financial impact of this case may not be assessed.

5 BANK BALANCES AND CASH

	30 June 2017 KD 000's	*(Audited) 31 December 2016 KD 000's*	*30 June 2016 KD 000's*
Cash at banks and in hand	**57,686**	77,774	66,760
Short term deposits	**18,032**	9,466	10,230
Cash and cash equivalents	**75,718**	87,240	76,990
Deposits with original maturities exceeding three months	**4,074**	7,065	9,939
	79,792	94,305	86,929

5 BANK BALANCES AND CASH (continued)

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 1.43% to 2.00% per annum (31 December 2016: 2.03% to 2.5% per annum and 30 June 2016: 2.4 % to 2.5 % per annum).

6 TREASURY SHARES

	30 June 2017	*(Audited) 31 December 2016*	*30 June 2016*
Number of treasury shares	**68,023,493**	61,638,142	61,638,142
Percentage of issued shares	**5.61%**	5.09%	5.09%
Market value in KD 000's	**55,779**	38,216	28,970

7 TAXATION

	Three months ended 30 June		*Six months ended 30 June*	
	2017 KD 000's	*2016 KD 000's*	***2017 KD 000's***	*2016 KD 000's*
National labour support tax (NLST)	**445**	394	**824**	737
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	**178**	157	**330**	295
Zakat	**178**	205	**330**	390
Taxation on overseas subsidiaries	**1,888**	1,097	**3,577**	2,445
	2,689	1,853	**5,061**	3,867

8 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 30 June		*Six months ended 30 June*	
	2017	*2016*	***2017***	*2016*
	KD 000's	*KD 000's (Restated)**	***KD 000's***	*KD 000's (Restated)**
Profit for the period attributable to equity holders of the Parent Company	**16,844**	15,024	**31,403**	28,129
	Shares	*Shares*	***Shares***	*Shares*
Weighted average number of paid up shares	**1,333,028,778**	1,333,028,778	**1,333,028,778**	1,333,028,778
Weighted average number of treasury shares	**(74,825,842)**	(67,801,956)	**(72,740,377)**	(67,801,956)
Weighted average number of outstanding Shares	**1,258,202,936**	1,265,226,822	**1,260,288,401**	1,265,226,822
Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)	**13.39**	11.87	**24.92**	22.23

* Basic and diluted earnings per share for the comparative period presented have been restated to reflect the issue adjustment of bonus shares following the bonus issue (Note 11).

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

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	30 June 2017 KD 000's	*(Audited) 31 December 2016 KD 000's*	*30 June 2016 KD 000's*
Letters of guarantee	**116,028**	123,638	100,750
Operating lease commitments	**31,266**	35,230	29,041
Capital commitments	**31,160**	22,534	10,520
	178,454	181,402	140,311

Included in letters of guarantee are bank guarantees of KD 31,405 thousand (31 December 2016: KD 31,405 thousand and 30 June 2016: 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.

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims

(a) Freight forwarding business – investigation
In August 2010, the Brazilian competition authority ("CADE") opened an investigation into the activities of the freight forwarding industry which included the Parent Company. The Brazilian competition authority purported to serve a notice on the Parent Company through its Brazilian subsidiary. The Parent Company rejected the validity of service of the notice. However, CADE stated in public announcement that it considers the notice to the Parent Company duly served. The Parent Company filed proceedings before the Brazilian court on 18 February 2014 requesting that the service of process be declared null. The Court issued a ruling rejecting this request and the Parent Company appealed against this ruling on 2 June 2015. In April 2017, the Parent Company concluded a settlement agreement with CADE, pursuant to which the Parent Company agreed to pay a fine of BRL 2,250,432 (approximately KD 213,554) in return for CADE closing its investigation. The Parent Company withdrew its proceedings in the Brazilian court contesting the validity of service of process. The terms of the settlement agreement were formally approved by CADE on 19 April 2017, and the Parent Company recorded this amount in the interim condensed consolidated statement of income.

(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 in relation to performance of a contract. Pursuant to this resolution, GAC called the above guarantee during the year ended 31 December 2007.

The Company appealed the above resolution at the Court of First Instance and the latter issued its judgment in favour of the Company and ordered GAC to pay an amount of KD 58,927 thousand as compensation against the non-performance of its obligations under the contract, and KD 9,138 thousand towards refunding of the guarantee encashed earlier, together with an interest of 7% per annum on these amounts to be calculated from the date the judgment becomes final.

The Company appealed the judgment before the Court of Appeal requesting an increase in compensation. GAC also filed an appeal No. 1955 / 2014 administrative 4 before the Court of Appeal. On 13 September 2015, the Court of Appeal pronounced its judgement affirming the decision of the Court of First Instance. Both the Company and GAC appealed against this ruling before the Kuwait Court of Cassation which is yet to pronounce its judgement. On 15 March 2017, the Court of Cassation resolved to defer the appeal to the experts and a hearing is scheduled for 27 September 2017 for the experts to prepare their report.

The Company also filed a claim against GAC and requested, under one of its demands, the Court of Appeal to prohibit GAC from encashing the remaining bank guarantees offered by the Company. The Court of Appeal issued its judgment in favour of the Company in blocking the encashment of the bank guarantees in the possession of GAC. GAC filed an appeal against the decision of the Court of Appeal blocking the encashment of the bank guarantees which was repealed by the Court of Cassation.

In addition to the above, there are legal disputes between the Company and GAC. Both the parties have filed various claims currently pending in the courts. The Group's in-house counsel believes that these matters will not have a material adverse effect on the Group's interim condensed consolidated financial information.

(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.

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(d) Miller False Claims Act Litigation
In a matter captioned United States of America ex rel. John Miller vs. The Public Warehousing Company, K.S.C. a/k/a Agility and PWC was filed under seal in the United States District Court for the Central District of California by Relator John Miller pursuant to the qui tam provisions in the False Claims Act ("FCA"), 31 U.S.C. §§ 3729 et. seq., on May 3, 2010. In his complaint, Relator alleges that the Parent Company violated the FCA by overstating indirect costs, thus overcharging the U.S. Government under three contracts. Relator attempted to serve the complaint on the Parent Company through its U.S. subsidiaries with offices in California. The Parent Company maintained that such service attempts were not effective. The District Court found that service had been effected, and the Parent Company appealed that order. The Court of Appeals found that further factual development was necessary before it could be determined whether or not service was effective. Relator, however, declined to pursue discovery and instead attempted service through the Hague Convention process. The Relator filed a motion, claiming that his efforts at service had been unsuccessful, and asking for the U.S. Court to grant alternative service. The Court granted Relator's motion and Relator served the Parent Company through the alternative means specified. The Parent Company maintains that service was improper and it has preserved this issue for a future appeal, if necessary. 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 legal counsel of the Group believes that these matters will not have a material adverse effect on the accompanying interim condensed consolidated financial information.

10 RELATED PARTIES TRANSACTIONS AND BALANCES

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:

			Six months ended 30 June	
	Major shareholders KD 000's	*Other related parties KD 000's*	***2017 Total KD 000's***	*2016 Total KD 000's*
Interim condensed consolidated statement of income				
Revenues	-	457	**457**	455
General and administrative expenses	(34)	(199)	**(233)**	(234)
Interest income	929	-	**929**	552
Finance costs	-	(91)	**(91)**	(168)
Miscellaneous income				272

	Major shareholders KD 000's	*Other related parties KD 000's*	***30 June 2017 Total KD 000's***	*(Audited) 31 December 2016 Total KD 000's*	*30 June 2016 Total KD 000's*
Interim condensed consolidated statement of financial position					
Financial assets available for sale	8,449	-	**8,449**	8,449	8,449
Amounts due from related parties	748	1,821	**2,569**	1,170	837
Loan to a related party	35,402	-	**35,402**	20,339	16,026
Loan to an associate (Note 4)	-	35,260	**35,260**	35,569	35,098
Amounts due to related parties	34	2,638	**2,672**	3,994	2,910

Loan to a related party carries an interest ranging from 5.5% to 6.5% per annum (31 December 2016: 6.5% per annum and 30 June 2016: 8.5% per annum).

A portion of amounts due to related parties carry an interest of 6.5% per annum (31 December 2016: 6.5% per annum and 30 June 2016: 6.5% per annum).

10 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel	*Six months ended 30 June*	
	2017 ***KD 000's***	*2016* *KD 000's*
Short-term benefits	**807**	756

11 DIVIDEND AND BONUS SHARES

The shareholders at the Annual General Meeting ("AGM") and the Extraordinary General Meeting held on 24 May 2017, respectively, approved the distribution of cash dividends of 15 fils per share (31 December 2015: 30 fils per share) and bonus shares of 10% (31 December 2015: nil) in respect of the year ended 31 December 2016. However, the date of settlement and distribution shall be 9 July 2017 and 13 July 2017 respectively.

12 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 and commercial real-estate, facility management and airplane ground handling and cleaning services, customs consulting, bulk fuel storage and transport and waste recycling.

Six months ended 30 June 2017	*Logistics and related services KD 000's*	*Infrastructure KD 000's*	*Adjustments and eliminations KD 000's*	***Total KD 000's***
Revenues				
External customers	**495,266**	**167,332**	**-**	**662,598**
Inter-segment	**273**	**3,608**	**(3,881)**	**-**
Total revenues	**495,539**	**170,940**	**(3,881)**	**662,598**
Results				
Operating profit before interest, taxation, depreciation, amortisation and Directors' remuneration	**14,814**	**54,201**	**(6,340)**	**62,675**
Reversal of provisions				**29,505**
Settlement of litigation claims				**(28,785)**
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)				**63,395**
Depreciation				**(14,528)**
Amortisation				**(2,009)**
Profit before interest, taxation and Directors' remuneration (EBIT)				**46,858**
Interest income				**1,506**
Finance costs				**(5,182)**
Profit before taxation and Directors' remuneration				**43,182**
Taxation and Directors' remuneration				**(5,131)**
Profit for the period				**38,051**

12 OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2016	*Logistics and related services KD 000's*	*Infrastructure KD 000's*	*Adjustments and eliminations KD 000's*	*Total KD 000's*
Revenues				
External customers	458,147	149,147	-	607,294
Inter-segment	415	5,754	(6,169)	-
Total revenues	458,562	154,901	(6,169)	607,294
Results				
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	16,153	47,701	(9,008)	54,846
Depreciation				(13,695)
Amortisation				(2,022)
Profit before interest, taxation and Directors' remuneration (EBIT)				39,129
Interest income				323
Finance costs				(2,732)
Profit before taxation and Directors' Remuneration				36,720
Taxation and Directors' remuneration				(3,937)
Profit for the period				32,783

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

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2017, 31 December 2016 and 30 June 2016

As at 30 June 2017	***Logistics and related services KD 000's***	***Infrastructure KD 000's***	***Adjustments and eliminations KD 000's***	***Total KD 000's***
Total assets	**718,619**	**998,175**	**(113,685)**	**1,603,109**
Total liabilities	**792,546**	**797,021**	**(964,203)**	**625,365**
31 December 2016				
Total assets	693,717	959,116	(108,796)	1,544,037
Total liabilities	605,945	767,144	(778,294)	594,795
30 June 2016				
Total assets	679,770	1,097,699	(279,520)	1,497,949
Total liabilities	592,040	904,456	(918,794)	577,702

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

As at the reporting date, fair value of the Group's financial assets [with the exception of certain financial assets available for sale carried at cost amounting to KD 28,963 thousand (31 December 2016: KD 30,047 thousand and 30 June 2016: KD 22,568 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:

	Level 1 KD'000	*Level 2* KD'000	*Level 3* KD'000	*Total fair value* KD'000
30 June 2017				
Financial assets at fair value through profit or loss:				
Investment in an associate	-	-	108,847	108,847
Quoted equity securities	36	-	-	36
	36	-	**108,847**	**108,883**
Financial assets available for sale:				
Unquoted equity securities	-	-	4,443	**4,443**
Derivative:				
Forward foreign exchange contracts	-	31	-	**31**
Interest rate swaps	-	265	-	**265**
	36	**296**	**113,290**	**113,622**

31 December 2016 (Audited)	*Level 1* KD'000	*Level 2* KD'000	*Level 3* KD'000	*Total fair value* KD'000
Financial assets at fair value through profit or loss:				
Investment in an associate	-	-	109,881	109,881
Quoted equity securities	36	-	-	36
	36	-	109,881	109,917
Financial assets available for sale:				
Unquoted equity securities	-	-	5,450	5,450
Derivative:				
Forward foreign exchange contracts	-	(60)	-	(60)
Interest rate swaps	-	319	-	319
	36	259	115,331	115,626

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Level 1 *KD'000*	*Level 2* *KD'000*	*Level 3* *KD'000*	*Total fair value* *KD'000*
30 June 2016				
Financial assets at fair value through profit or loss:				
Investment in an associate	-	-	108,424	108,424
Quoted equity securities	36	-	-	36
	36	-	108,424	108,460
Financial assets available for sale:				
Unquoted equity securities	-	-	12,155	12,155
Derivative:				
Forward foreign exchange contracts	-	(78)	-	(78)
	36	(78)	120,579	120,537

The movement in the level 3 financial instruments balance primarily relates to foreign currency translation adjustments.

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 Group's management was unable to determine the fair value of the investment in an associate as at 30 June 2017 and 31 December 2016 due to certain inherent uncertainties and accordingly the investment is carried at its fair value as at 31 December 2013 (Note 4).

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 managers.