

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2018 (UNAUDITED)



Building a better
working world

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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 September 2018, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the nine 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 108,988 thousand (31 December 2017: KD 108,425 thousand and 30 September 2017: KD 108,389 thousand) and KD 35,238 thousand (31 December 2017: KD 35,098 thousand and 30 September 2017: KD 35,086 thousand) respectively, in the interim condensed consolidated statement of financial position as at 30 September 2018. 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 September 2018 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 carrying value of 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.

**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

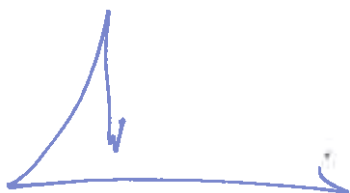
We draw attention to:

- (i) Note 9 (a) to the interim condensed consolidated financial information which describes the contingencies relating to cost reimbursable contracts with U.S. Defense Contract Audit Agency (DCAA);
- (ii) Note 9 (b) to the interim condensed consolidated financial information which describe the contingencies and claims with the General Administration of Customs for Kuwait; and
- (iii) Note 9 (c) to the interim condensed consolidated financial information which describes the uncertainty relating to renewal of the lease contract with Public Authority for Industry of the State of 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, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine months period ended 30 September 2018 that might have had a material effect on the business of the Parent Company or on its financial position.



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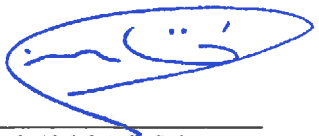
13 November 2018
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (Unaudited)

		30 September 2018 KD 000's	(Audited) 31 December 2017 KD 000's	30 September 2017 KD 000's
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment		282,544	276,835	274,496
Projects in progress		45,389	30,065	19,969
Investment properties		286,529	283,845	269,603
Intangible assets		22,917	25,944	26,957
Goodwill		253,471	258,268	248,871
Investment in associates		55,521	54,355	53,092
Financial assets at fair value through profit or loss	4	112,894	108,611	108,526
Financial assets at fair value through other comprehensive income		14,597	-	-
Financial assets available for sale		-	22,669	36,858
Other non-current assets		41,772	41,236	30,211
Loan to a related party	10	74,603	61,525	39,878
Loan to an associate	4	35,238	35,098	35,086
Total non-current assets		1,225,475	1,198,451	1,143,547
Current assets				
Inventories		20,112	16,497	16,021
Trade receivables		337,294	303,977	295,707
Other current assets		114,242	84,325	108,780
Bank balances and cash	5	108,875	125,690	85,548
Total current assets		580,523	530,489	506,056
TOTAL ASSETS		1,805,998	1,728,940	1,649,603
EQUITY AND LIABILITIES				
EQUITY				
Share capital		153,299	133,303	133,303
Share premium		152,650	152,650	152,650
Statutory reserve		67,781	67,781	60,593
Treasury shares	6	(49,239)	(49,239)	(49,239)
Treasury shares reserve		44,366	44,366	44,366
Foreign currency translation reserve		(37,962)	(28,775)	(26,932)
Hedging reserve		(17,983)	(17,542)	(17,610)
Investment revaluation reserve		(337)	2,280	1,836
Other reserves		(23,836)	(24,423)	(35,431)
Retained earnings		707,038	693,404	681,301
Equity attributable to equity holders of the Parent Company		995,777	973,805	944,837
Non-controlling interests		48,932	49,787	34,442
Total equity		1,044,709	1,023,592	979,279
LIABILITIES				
Non-current liabilities				
Provision for employees' end of service benefits		47,658	45,431	50,386
Interest bearing loans		82,538	86,094	84,738
Other non-current liabilities		18,746	20,531	15,032
Total non-current liabilities		148,942	152,056	150,156
Current liabilities				
Interest bearing loans		164,695	132,841	114,226
Trade and other payables		439,214	412,090	397,352
Dividends payable		8,438	8,361	8,590
Total current liabilities		612,347	553,292	520,168
Total liabilities		761,289	705,348	670,324
TOTAL EQUITY AND LIABILITIES		1,805,998	1,728,940	1,649,603


Tarek Abdul Aziz Sultan
Vice Chairperson and CEO

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

Agility Public Warehousing Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the period ended 30 September 2018 (Unaudited)

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2018</i> KD 000's	<i>2017</i> KD 000's	<i>2018</i> KD 000's	<i>2017</i> KD 000's
Revenues					
Logistics and freight forwarding revenues		340,788	310,877	995,908	881,745
Rental revenues		15,688	15,309	46,449	45,226
Other services		37,969	32,290	108,055	94,103
Total revenues		394,445	358,476	1,150,412	1,021,074
Cost of revenues		(269,247)	(242,976)	(776,302)	(676,953)
Net revenues		125,198	115,500	374,110	344,121
General and administrative expenses		(32,827)	(31,063)	(98,607)	(95,630)
Salaries and employee benefits		(55,847)	(52,515)	(167,750)	(157,240)
Reversal of provisions		-	-	-	29,505
Settlement of litigation claims		-	-	-	(28,785)
Share of results of associates		1,505	1,214	3,923	3,121
Miscellaneous income		1,208	1,043	2,351	2,481
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		39,237	34,179	114,027	97,573
Depreciation		(8,139)	(7,225)	(23,865)	(21,753)
Amortisation		(1,012)	(1,012)	(3,042)	(3,021)
Profit before interest, taxation and Directors' remuneration (EBIT)		30,086	25,942	87,120	72,799
Interest income		905	860	3,584	2,366
Finance costs		(2,890)	(2,686)	(9,825)	(7,867)
Profit before taxation and Directors' remuneration		28,101	24,116	80,879	67,298
Taxation	7	(3,362)	(2,801)	(8,763)	(7,862)
Directors' remuneration		(35)	(39)	(107)	(109)
PROFIT FOR THE PERIOD		24,704	21,276	72,009	59,327
Attributable to:					
Equity holders of the Parent Company		20,001	17,816	58,898	49,219
Non-controlling interests		4,703	3,460	13,111	10,108
		24,704	21,276	72,009	59,327
BASIC AND DILUTED EARNINGS PER SHARE – attributable to Equity holders of the Parent Company (fils)	8	13.82	12.31	40.71	33.98

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2018 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2018 KD 000's	2017 KD 000's	2018 KD 000's	2017 KD 000's
Profit for the period	24,704	21,276	72,009	59,327
Other comprehensive (loss) income:				
<i>Items that are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
- Foreign currency translation adjustments	(808)	(2,205)	(11,508)	(3,141)
- (Loss) gain on hedge of net investments	(22)	80	(584)	224
- (Loss) gain on cash flow hedges	(15)	7	143	(33)
	(845)	(2,118)	(11,949)	(2,950)
<i>Items that will not be reclassified to the interim condensed consolidated income statement:</i>				
Changes in fair value of equity investments at fair value through other comprehensive income	-	-	(211)	-
	-	-	(211)	-
Other comprehensive loss	(845)	(2,118)	(12,160)	(2,950)
Total comprehensive income for the period	23,859	19,158	59,849	56,377
Attributable to:				
Equity holders of the Parent Company	19,519	15,876	48,726	45,396
Non-controlling interests	4,340	3,282	11,123	10,981
	23,859	19,158	59,849	56,377

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2018 (Unaudited)

		Nine months ended 30 September	
	Notes	2018 KD 000's	2017 KD 000's
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration		80,879	67,298
Adjustments for:			
Provision for impairment of trade receivables		130	592
Provision for employees' end of service benefits		8,660	7,901
Foreign currency exchange gain		(176)	(501)
Share of results of associates		(3,923)	(3,121)
Reversal of provisions		-	(29,505)
Settlement of litigation claims		-	28,785
Miscellaneous income		(2,351)	(2,481)
Depreciation		23,865	21,753
Amortisation		3,042	3,021
Interest income		(3,584)	(2,366)
Finance costs		9,825	7,867
Operating profit before changes in working capital		116,367	99,243
Inventories		(3,596)	(1,803)
Trade receivables		(43,608)	(47,629)
Other current assets		(32,240)	(4,458)
Trade and other payables		35,224	24,291
Cash from operations		72,147	69,644
Settlement of litigation claims		-	(28,785)
Taxation paid		(8,875)	(6,313)
Employees' end of service benefits paid		(7,803)	(5,884)
Directors remuneration paid		(140)	(140)
Net cash flows generated from operating activities		55,329	28,522
INVESTING ACTIVITIES			
Net movement in financial assets available for sale		-	(3,434)
Net movement in financial assets at fair value through profit or loss		1,377	-
Net movement in financial assets at fair value through other comprehensive income		(2,002)	-
Additions to property, plant and equipment		(30,457)	(36,749)
Proceeds from disposal of property plant and equipment		291	476
Loan to a related party	10	(10,750)	(18,104)
Additions to projects in progress		(15,510)	(7,239)
Additions to investment properties		(2,684)	(917)
Dividends received from an associate		1,771	1,698
Acquisition of subsidiary net of cash acquired		-	(115)
Deferred consideration paid in respect of prior period acquisition		(606)	-
Acquisition of additional interest in a subsidiary		(275)	(38)
Interest income received		610	551
Net movement in deposits with original maturities exceeding three months		-	7,065
Net cash flows used in investing activities		(58,235)	(56,806)
FINANCING ACTIVITIES			
Purchase of treasury shares		-	(3,951)
Net movement in interest bearing loans		28,060	61,120
Finance cost paid		(11,213)	(8,469)
Dividends paid to equity holders of the Parent Company		(18,779)	(17,211)
Dividends paid to non-controlling interests		(11,684)	(5,516)
Additional share capital issued by a subsidiary		414	-
Net cash flows (used in) generated from financing activities		(13,202)	25,973
Net foreign exchange differences		(707)	619
NET DECREASE IN CASH AND CASH EQUIVALENTS		(16,815)	(1,692)
Cash and cash equivalents at 1 January		125,690	87,240
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	108,875	85,548

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2018 (Unaudited)

	<i>Attributable to equity holders of the Parent Company</i>												
	<i>Share capital</i> <i>KD 000's</i>	<i>Share premium</i> <i>KD 000's</i>	<i>Statutory reserve</i> <i>KD 000's</i>	<i>Treasury shares</i> <i>KD 000's</i>	<i>Treasury shares reserve</i> <i>KD 000's</i>	<i>Foreign currency translation reserve</i> <i>KD 000's</i>	<i>Hedging reserve</i> <i>KD 000's</i>	<i>Investment revaluation reserve</i> <i>KD 000's</i>	<i>Other reserves</i> <i>KD 000's</i>	<i>Retained earnings</i> <i>KD 000's</i>	<i>Sub total</i> <i>KD 000's</i>	<i>Non-controlling interests</i> <i>KD 000's</i>	<i>Total equity</i> <i>KD 000's</i>
As at 1 January 2018	133,303	152,650	67,781	(49,239)	44,366	(28,775)	(17,542)	2,280	(24,423)	693,404	973,805	49,787	1,023,592
Impact of adopting IFRS 9 at 1 January 2018 (refer note 3)	-	-	-	-	-	333	-	(2,406)	-	(6,395)	(8,468)	(80)	(8,548)
As at 1 January 2018 (restated)	133,303	152,650	67,781	(49,239)	44,366	(28,442)	(17,542)	(126)	(24,423)	687,009	965,337	49,707	1,015,044
Profit for the period	-	-	-	-	-	-	-	-	-	58,898	58,898	13,111	72,009
Other comprehensive loss	-	-	-	-	-	(9,520)	(441)	(211)	-	-	(10,172)	(1,988)	(12,160)
Total comprehensive (loss) income for the period	-	-	-	-	-	(9,520)	(441)	(211)	-	58,898	48,726	11,123	59,849
Dividends (Note 11)	-	-	-	-	-	-	-	-	-	(18,873)	(18,873)	-	(18,873)
Issue of bonus shares (Note 11)	19,996	-	-	-	-	-	-	-	-	(19,996)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(11,684)	(11,684)
Issue of share capital by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	414	414
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	587	-	587	(628)	(41)
As at 30 September 2018	153,299	152,650	67,781	(49,239)	44,366	(37,962)	(17,983)	(337)	(23,836)	707,038	995,777	48,932	1,044,709
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	-	-	-	-	-	-	-	-	-	49,219	49,219	10,108	59,327
Other comprehensive (loss) income	-	-	-	-	-	(4,014)	191	-	-	-	(3,823)	873	(2,950)
Total comprehensive (loss) income for the period	-	-	-	-	-	(4,014)	191	-	-	49,219	45,396	10,981	56,377
Dividends (Note 11)	-	-	-	-	-	-	-	-	-	(17,156)	(17,156)	-	(17,156)
Issue of bonus shares (Note 11)	12,118	-	-	-	-	-	-	-	-	(12,118)	-	-	-
Purchase of treasury shares	-	-	-	(3,951)	-	-	-	-	-	-	(3,951)	-	(3,951)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,516)	(5,516)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	322	322
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(34)	-	(34)	(5)	(39)
As at 30 September 2017	133,303	152,650	60,593	(49,239)	44,366	(26,932)	(17,610)	1,836	(35,431)	681,301	944,837	34,442	979,279

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

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 Boursa Kuwait 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 November 2018.

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 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 BASIS OF PREPARATION

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

The accounting policies used in the preparation of this interim financial information are consistent with those used in the most recent annual audited consolidated financial statements for the year ended 31 December 2017, except for changes of the accounting policies as mentioned in note 3 below on account of adoption of IFRS 9 ‘Financial Instruments’ (IFRS 9”) and IFRS 15 ‘Revenue from Contracts with Customers’ (“IFRS 15”) effective from 1 January 2018.

The Group has not early adopted any other standard, interpretation or amendment that has been issued or not yet effective. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

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 2017. 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 2018.

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange of transferring goods or services to customer.

The standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. The adoption of this standard will result into change in accounting policies as discussed below:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Logistics revenue

Logistics revenue primarily comprises inventory management, order fulfilment and transportation services. Prior to adoption of IFRS 15, the Group recognised the logistics revenue at the fair value of consideration received or receivable for goods and services and was recognised upon completion of the services.

Under IFRS 15, logistics revenue should be recognised at the point in time when the services are rendered to the customer. The adoption of IFRS 15 did not have an impact on the recognition.

Freight forwarding and project forwarding revenues

The Group generates freight forwarding revenues by purchasing transportation capacity from independent air, ocean and overland transportation providers and reselling that capacity to customers. Prior to adoption of IFRS 15, the Group recognised the revenues in the period services are rendered, by reference to stage of completion of the services.

Under IFRS 15, the Group concluded that revenue from the freight forwarding and project forwarding revenues will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to previous accounting policy, because the customer receives and uses the benefits simultaneously.

Some contracts include multiple deliverables, such as customs clearance and brokerage services. These are accounted for as separate performance obligation and transaction prices is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, the Group estimates separate transaction price for each performance obligation based on expected cost plus margin.

Under IFRS 15, freight forwarding and project forwarding revenue should be recognised over time. The adoption of IFRS 15 did not have an impact on the recognition of revenue.

Financing components

The Group does not expect to have any contracts where the period between the transfer of promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The changes in above accounting policies does not have any material effect on the Group's interim condensed consolidated financial information.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments effective from 1 January 2018. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

Classification of financial assets and financial liabilities

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Measurement categories of financial assets and liabilities

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through profit or loss (FVTPL)
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 9 Financial Instruments (continued)

Measurement categories of financial assets and liabilities (continued)

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Debt instruments at amortised cost

Classification

A financial asset which is a debt instrument, is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Subsequent measurement

Debt instruments categorised at amortised cost are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any.

Debt instruments at FVTPL

Classification

Debt instruments at FVTPL includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, these instruments were classified as loans and receivables.

Subsequent measurement

FVTPL debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value along with interest income and foreign exchange gains and losses recognised in consolidated statement of income. The management of the Group classifies certain loan to a related party as debt instrument at FVTPL.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to statement of income. Dividends are recognised in statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from investment revaluation reserve to retained earnings consolidated statement of changes in equity.

Financial asset at FVTPL

The Group classifies financial assets at fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 9 Financial Instruments (continued)

Measurement categories of financial assets and liabilities (continued)

Financial asset at FVTPL (continued)

Changes in fair values, interest income and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition except under circumstances in which the Group acquires, disposes of, or terminates a business line.

Financial liabilities

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from Group's own credit risk relating to liabilities designated at fair value through profit or loss. Such movements are presented in other comprehensive income with no subsequent reclassification to consolidated statement of income.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied with effect from 1 January 2018, as described below:

- a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- b) The following assessments have been made based on the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 9 Financial Instruments (continued)

Impact of Adopting IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 KD 000's	Transition adjustments KD 000's	New carrying amount under IFRS 9 KD 000's
Bank balances and short-term deposits	Loans and receivables	Amortised cost	125,690	-	125,690
Trade receivables	Loans and receivables	Amortised cost	303,977	(2,180)	301,797
Loan to a related party	Loans and receivables	Debt instrument at FVTPL	61,525	44	61,569
Loan to an associate	Loans and receivables	Financial asset at FVTPL	35,098	-	35,098
Financial assets at fair value through profit or loss	Financial asset at FVTPL	Financial asset at FVTPL	108,611	-	108,611
Financial assets available for sale – equity securities	Financial assets available for sale	Equity instruments at FVOCI	18,362	(5,813)	12,549
Financial assets available for sale – funds	Financial assets available for sale	Financial asset at FVTPL	4,307	-	4,307
Total financial assets			657,570	(7,949)	649,621

The impact of this change in accounting policy as at 1 January 2018 on retained earnings, investment revaluation reserve and foreign currency translation reserve is as below:

	Retained earnings KD '000	Investment revaluation reserve KD '000	Foreign currency translation reserve KD '000
Closing balance under IAS 39 (31 December 2017)	693,404	2,280	(28,775)
Impact on reclassification and re-measurements:			
Investment securities – equity from available-for-sale to FVTPL	2,406	(2,406)	-
Fair value measurement of equity investments previously carried at cost less impairment	(5,813)	-	-
Loan to a related party	(270)	-	333
Transition adjustment on adoption of IFRS 9 by an associate	(599)	-	-
Impact on recognition of ECL on financial assets other than credit facilities:			
ECL under IFRS 9 for trade receivables at amortised cost	(2,119)	-	-
Total	(6,395)	(2,406)	333
Opening balance under IFRS 9 on date of initial application of 1 January 2018	687,009	(126)	(28,442)

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 KD 000's	(Audited) 31 December 2017 KD 000's	30 September 2017 KD 000's
Investment in an associate - outside Kuwait	108,988	108,425	108,389
Investment in funds - outside Kuwait	3,800	-	-
Unquoted equity securities - in Kuwait	106	186	137
	<u>112,894</u>	<u>108,611</u>	<u>108,526</u>

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 IFRS 9, with changes in fair value recognised in the interim condensed consolidated statement of income in the period of change.

As at 30 September 2018, interest bearing loan provided by the Group to Korek Telecom amounted to KD 35,238 thousand (31 December 2017: KD 35,098 thousand and 30 September 2017: KD 35,086 thousand) (Note 10).

Korek Litigation

In February 2017, the Group filed a request for arbitration against the Republic of Iraq pursuant to Article 36 of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID"), and Article 10 of the Agreement between the Government of the State of Kuwait and the Government of the Republic of Iraq for Reciprocal Promotion and Protection of Investments (the "2015 BIT"). The claim arises from a series of actions and inactions of the Iraqi government, including its regulatory agency Communications & Media Commission ("CMC") relating to an alleged decision by the CMC to annul the previous written consent granted in connection with the Group's investment in Korek Telecom. Without limitation, the Group'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 Group with due process, as well as the indirect expropriation of that investment, each in breach of the 2015 BIT. On 24 February, 2017, the Group's request for arbitration was formally registered with ICSID. The arbitration tribunal was formally constituted on 20 December 2017 and an initial procedural hearing was held on January 31, 2018. The Group's memorial was submitted on April 30, 2018. On 6 August 2018, Iraq submitted objections to jurisdiction and requested that they be determined as a preliminary matter before the case proceeds further on the merits. A hearing was held on 11 October 2018 to determine whether proceedings should be bifurcated in this way. As the dispute remains pending without legal resolution and in the absence of clarity, the financial impact of this case may not be assessed.

In conjunction with the foregoing claims related to Korek Telecom, Iraq Telecom Limited ("IT Ltd.") (in which the Group holds an indirect 54% stake) commenced the following proceedings:

- Share Subscription Agreement Arbitration**
 Arbitration proceedings against Korek International (Management) Ltd. ("CS Ltd.") and Mr. Sirwan Saber Mustafa. The dispute is in relation to the monies owed by CS Ltd. and guaranteed by Mr. Sirwan Saber Mustafa under a subscription agreement relating to the Group's investment in Korek Telecom. The amount in dispute is approximately USD 75 million (excluding interest). The Tribunal was constituted on February 2, 2018, with terms of reference and a procedural timetable to be issued by the Tribunal in due course. IT Ltd.'s statement of claim was submitted on May 17, 2018. The Respondents' statement of defense was submitted on 12 September 2018. A hearing has been scheduled for September 2019.
- Shareholders Agreement Arbitration**
 Arbitration proceedings against CS Ltd. and Mr. Sirwan Saber Mustafa. The dispute is in relation to various contractual breaches by the respondents under a shareholders' agreement relating to the Parent Company's investment in Korek Telecom. The amount in dispute is to be determined during the course of the proceedings. The Request for Arbitration was submitted on 4 June 2018, and the Respondents' reply was submitted on 10 September 2018.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

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

Korek Litigation (Continued)

- *IBL Subordination Agreement Arbitration*

Arbitration proceedings against IBL Bank SAL, Korek Telecom and International Holdings Ltd. The dispute is in relation to alleged fraud orchestrated by certain Korek Telecom stakeholders with the knowledge and cooperation of IBL Bank in connection with a subordination agreement relating to a \$150 million loan extended by IBL Bank to Korek Telecom. The amount in dispute is to be determined during the course of the proceedings. The request for arbitration was submitted on 26 June 2018, and the Respondents' reply and counter-claim was submitted on 8 October 2018. The counterclaim seeks damages for losses (still unquantified) allegedly suffered by the Respondents in relation to their reputation and good standing. The reply to the counterclaim is due on 8 November 2018.

- *DIFC Director Claims*

Proceedings in the courts of the Dubai International Financial Centre ("DIFC") on March 12, 2018 against certain directors of International Holdings Limited (the holding company of Korek in which IT Ltd. Holds a 44% interest). The defendant directors are Abdulhameed Aqrabi, Nozad Jundi and Raymond Zina Rahmeh. The claim alleges breach of the defendants' duties as directors of International Holdings.

- *DIFC Rahmeh Claims*

Proceedings in the courts of the DIFC on April 12, 2018 against Raymond Zina Rahmeh alleging breach of his fiduciary duties.

Separately, on September 5, 2017, Modern Global Company for General Trading of Equipment, Supplier for Construction and Real Estate WLL (a wholly owned subsidiary of the Parent Company) commenced arbitration proceedings against Korek Telecom in relation to Korek's alleged failure to pay servicing fees due to Modern Global under a services agreement. The amount in dispute is approximately USD 3.4 million (excluding interest).

A sole arbitrator was appointed on March 8, 2018. The claimant's statement of claim submitted on May 4, 2018, and the respondent's statement of defense was submitted on 5 July 2018. A hearing has been scheduled for 29 January 2019.

As a counterclaim, CS Ltd. has threatened to bring a claim against IT Ltd. with respect to alleged breaches by IT Ltd. of funding provisions in a shareholders' agreement between the parties relating to Korek Telecom. The amount in dispute is approximately USD 120 million. However, no proceedings against IT Ltd. have been commenced to date.

Consequently the Group's management was unable to determine the fair value of this investment and the recoverability of interest bearing loan as at 30 September 2018 and 31 December 2017 and accordingly the investment is carried at its fair value as at 31 December 2013 of US Dollars 359 million equivalent to KD 108,988 thousand (31 December 2017: KD 108,425 thousand).

5 BANK BALANCES AND CASH

	30 September 2018 KD 000's	(Audited) 31 December 2017 KD 000's	30 September 2017 KD 000's
Cash at banks and in hand	64,742	104,946	71,095
Short term deposits	44,133	20,744	14,453
Cash and cash equivalents	108,875	125,690	85,548

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

6 TREASURY SHARES

	30 September 2018	(Audited) 31 December 2017	30 September 2017
Number of treasury shares	86,062,497	74,831,667	74,831,667
Percentage of issued shares	5.61%	5.61%	5.61%
Market value in KD 000's	72,292	60,015	66,376

7 TAXATION

	Three months ended 30 September		Nine months ended 30 September	
	2018 KD 000's	2017 KD 000's	2018 KD 000's	2017 KD 000's
National labour support tax (NLST)	524	465	1,542	1,288
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	209	186	617	515
Zakat	209	186	617	515
Taxation on overseas subsidiaries	2,420	1,964	5,987	5,544
	3,362	2,801	8,763	7,862

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 September		Nine months ended 30 September	
	2018 KD 000's	2017 KD 000's (Restated)*	2018 KD 000's	2017 KD 000's (Restated)*
Profit for the period attributable to equity holders of the Parent Company	20,001	17,816	58,898	49,219
	Shares	Shares	Shares	Shares
Weighted average number of paid up shares	1,532,983,094	1,532,983,094	1,532,983,094	1,532,983,094
Weighted average number of treasury shares	(86,062,497)	(86,062,497)	(86,062,497)	(84,472,425)
Weighted average number of outstanding shares	1,446,920,597	1,446,920,597	1,446,920,597	1,448,510,669
Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)	13.82	12.31	40.71	33.98

* 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 relating to 2017 (Note 11).

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	30 September 2018	(Audited) 31 December 2017	30 September 2017
	KD 000's	KD 000's	KD 000's
Letters of guarantee	126,807	123,149	111,771
Operating lease commitments	102,590	29,648	31,105
Capital commitments	106,831	115,806	28,855
	336,228	268,603	171,731

Included in letters of guarantee are bank guarantees of KD 30,751 thousand (31 December 2017: KD 31,405 thousand and 30 September 2017: 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.

*The Group (Parent Company along with its subsidiary UPAC) and a related party are part of an arrangement to construct and develop a commercial mall in UAE ("project"). The Group currently has an equity interest of 13.35% (31 December 2017: 13.35% and 30 September 2017: 13.35%) and has also extended interest bearing loan facilities to the project (Note 10). Commitments undertaken by the Group towards further investments in the project amount to KD 90,193 thousand as on 30 September 2018. In addition to the above, the Parent Company has also provided corporate guarantees for the project amounting to KD 63,700 thousand and an undertaking for the completion of the mall within an agreed timeframe.

Legal claims

(a) PCO Contract

From 2004 through 2008, the Parent Company performed a PCO Contract, which was a cost-plus-fixed-fee contract with the Coalition Provisional Authority ("CPA") for logistics services supporting reconstruction in Iraq, including warehousing, convoys and security.

On 23 April 2011, the Parent Company submitted a Certified Claim for approximately \$47 million that the US Government owes the Parent Company in connection with the PCO Contract. The Contracting Officer denied the Parent Company's Certified Claim on 15 December 2011, and the Parent Company appealed the denial to the Armed Services Board of Contract Appeals ("ASBCA"). Separately, the US Government had claimed that the Parent Company owed \$80 million in connection with the PCO Contract and had sought repayment of the same. The Parent Company appealed the US Government's demand for repayment to the ASBCA and the appeals were consolidated.

On 26 August 2013, the US Government moved to dismiss the ASBCA appeals for lack of jurisdiction. The ASBCA granted the US Government's motion to dismiss on 9 December 2014. The Parent Company appealed to the U.S. Court of Appeals for the Federal Circuit on 8 April 2015. On 16 April 2018, a panel of the Federal Circuit affirmed the ASBCA's decision dismissing the Parent Company's appeals for lack of jurisdiction.

Following the Federal Circuit decision, on 21 September 2018, the Parent Company filed an amended complaint in a pending matter involving the PCO Contract in the Court of Federal Claims ("COFC"), seeking, among other things, a return of \$17 million previously offset by the US Government (described further below), as well as a declaratory judgment that the US Government may not withhold amounts legally owed by the US Government to the Parent Company based on the Parent Company's purported debt under the PCO Contract. The US Government's response to the Parent Company's amended complaint is due in November 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(a) PCO Contract (continued)

As referenced above, the US Government has offset \$17 million from another contract held by the Parent Company (the DDKS contract), in connection with its purported claim related to the PCO contract (the "DDKS offset"). On 3 July 2017, the Parent Company submitted a Certified Claim under the DDKS contract, seeking payment of the DDKS offset plus interest. In a 1 September 2017 letter, the Contracting Officer notified the Parent Company that she was holding its Certified Claim in abeyance. Following the Federal Circuit decision discussed above, the Parent Company filed a complaint seeking the return of the DDKS offset plus interest (the "DDKS Matter").

On 21 September 2018, the Parent Company filed an amended complaint in the DDKS Matter. The US Government's response to the Parent Company's amended complaint is due in November 2018. The Parent Company is also seeking to consolidate the DDKS Matter with the still-pending COFC matter described above.

On 14 September 2016, the Parent Company had filed a PCO-related lawsuit under the Administrative Procedure Act in the U.S. District Court for the District of Columbia ("DDC"). This matter remains stayed.

Despite inherent uncertainty surrounding these cases, no provision is recorded by the management in 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.

(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 in appeals No. 148, 1487 for the year 2015. On 15 March 2017, the Court of Cassation resolved to defer the appeal to the experts. On 7 May 2018, the experts committee issued a report affirming the Parent Company's right for the claimed compensation. The case was heard before the Court of Cassation on 3 October 2018 and the next hearing is scheduled for 5 December 2018.

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 and counter claims that are currently pending in the courts. The Group's in-house counsel believes that these matters will not have a material adverse effect on the Group's interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

(c) *Contract N. 157 on Phases 1 and 2 and 3 for the South Amghara Plot*

Investment properties include a property with a carrying value of KD 28,500 thousand representing land located in South Amghara which is held on a lease with the Public Authority of Industry (PAI).

On 3 July 2018, PAI notified the Parent Company of its intention to terminate the above mentioned lease contract alleging that it expired on 30 June 2018 and requesting the Parent Company to deliver the plot. Based on a legal opinion from the Parent Company's external legal counsel, the notice of termination is in breach of the law and the Parent Company has initiated the necessary legal actions and filed the claim No. 2587 of 2018 Commercial-General-Public/24, a protective claim on the above plot through the case No. 3686/2018 / Commercial-General-Public and the case No. 4522/2018 / T.M.K.H/1 requesting for the appointment of an expert to provide an opinion on the deemed renewal of the above lease contract under the law. The Court of First Instance is yet to deliver its judgement on the above cases. The Parent Company (after consulting the external legal counsel) is not able to comment on the likely outcome of the cases.

(d) *KGL Litigation*

During the year ended 31 December 2012, the Parent Company and certain of its subsidiaries were named as defendants in civil lawsuits filed by Kuwait and Gulf Link Transport Company ("KGL") and its affiliates in three separate jurisdictions in the United States for certain alleged defamation and interference with KGL's contracts with the US Government by an alleged former employee of the Parent Company. 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.

On August 21, 2015, the Parent Company filed a motion for summary judgment. On December 8, 2015, the court denied the Parent Company's motion as well as KGL's motion to compel discovery that they argued was central to their claims.

On November 28, 2017, the court entered an order setting discovery deadlines and a trial date.

On June 4, 2018, following the completion of all discovery, the Parent Company filed a second motion for summary judgment. On July 6, 2018, the court granted the Parent Company's motion and dismissed the complaint.

On 1 August 2018, KGL appealed the summary judgment to the Pennsylvania Superior Court. KGL's opening brief is due on 8 November 2018.

In addition to the above, the Group is involved in various incidental claims and legal proceedings. The legal counsel of the Group believes that these matters will not have a material adverse effect on the 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:

	Major shareholders KD 000's	Other related parties KD 000's	Nine months ended 30 September	
			2018 Total KD 000's	2017 Total KD 000's
Interim condensed consolidated statement of income				
Revenues	-	667	667	684
General and administrative expenses	(39)	(271)	(310)	(335)
Interest income	2,538	-	2,538	1,773
Finance costs	-	(60)	(60)	(127)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

10 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

				(Audited)	
	Major	Other related	30 September	31 December	30 September
	shareholders	parties	2018	2017	2017
	KD 000's	KD 000's	Total	Total	Total
			KD 000's	KD 000's	KD 000's
Interim condensed consolidated statement of financial position					
Other non-current assets	8,449	-	8,449	8,449	-
Financial assets available for sale	-	-	-	-	8,449
Amounts due from related parties	131	2,600	2,731	2,108	2,138
Loan to a related party	74,603	-	74,603	61,525	39,878
Loan to an associate (Note 4)	-	35,238	35,238	35,098	35,086
Amounts due to related parties	501	10,582	11,083	11,219	2,785

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

Included in the loan to a related party is an amount of KD 43,100 thousand representing amounts advanced by a subsidiary of the Group towards the construction and development of a Commercial Mall in UAE ("Project"). This amount carries interest which is variable and can be converted to equity in the Project on completion of construction subject to the Project achieving certain operational targets. Loan to a related party has been measured at fair value as per requirements of IFRS 9.

Compensation of key management personnel

	Nine months ended 30 September	
	2018	2017
	KD 000's	KD 000's
Short-term benefits	1,305	1,208

11 DIVIDEND AND BONUS SHARES

The shareholders at the Annual General Meeting ("AGM") and the Extraordinary General Meeting held on 11 April 2018 approved the distribution of cash dividends of 15 fils per share (31 December 2016: 15 fils per share) and bonus shares of 15% (31 December 2016: 10%) in respect of the year ended 31 December 2017.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

12 OPERATING SEGMENT INFORMATION (continued)

Infrastructure:

The Infrastructure segment provides other services which include industrial and commercial real-estate, facility management and airplane ground handling, cleaning services, customs consulting, bulk fuel storage and transport and waste recycling.

Nine months ended 30 September 2018	<i>Logistics and related services KD 000's</i>	<i>Infrastructure KD 000's</i>	<i>Adjustments and eliminations KD 000's</i>	Total KD 000's
Revenues				
External customers	858,409	292,003	-	1,150,412
Inter-segment	1,142	9,841	(10,983)	-
Total revenues	859,551	301,844	(10,983)	1,150,412
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	24,604	99,824	(10,401)	114,027
Segment results				72,009
Nine months ended 30 September 2017	<i>Logistics and related services KD 000's</i>	<i>Infrastructure KD 000's</i>	<i>Adjustments and eliminations KD 000's</i>	Total KD 000's
Revenues				
External customers	767,796	253,278	-	1,021,074
Inter-segment	779	8,630	(9,409)	-
Total revenues	768,575	261,908	(9,409)	1,021,074
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration	21,025	83,565	(7,737)	96,853
Reversal of provisions				29,505
Settlement of litigation claims				(28,785)
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)				97,573
Segments result				59,327

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

12 OPERATING SEGMENT INFORMATION (continued)

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2018, 31 December 2017 and 30 September 2017.

	<i>Logistics and related services KD 000's</i>	<i>Infrastructure KD 000's</i>	<i>Adjustments and eliminations KD 000's</i>	<i>Total KD 000's</i>
<i>As at 30 September 2018</i>				
Total assets	756,182	1,136,488	(86,672)	1,805,998
Total liabilities	314,543	904,651	(457,905)	761,289
<i>As at 31 December 2017</i>				
Total assets	742,337	1,075,757	(89,154)	1,728,940
Total liabilities	378,269	845,364	(518,285)	705,348
<i>As at 30 September 2017</i>				
Total assets	752,433	1,001,941	(104,771)	1,649,603
Total liabilities	310,187	809,833	(449,696)	670,324

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

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:

	<i>Level 2 KD'000</i>	<i>Level 3 KD'000</i>	<i>Total fair value KD'000</i>
30 September 2018			
<i>Financial assets at fair value through profit or loss:</i>			
Investment in an associate	-	108,988	108,988
Investment in funds	3,800	-	3,800
Unquoted equity securities	-	106	106
Loan to a related party	-	74,603	74,603
Loan to an associate	-	35,238	35,238
	3,800	218,935	222,735
<i>Financial assets at fair value through other comprehensive income:</i>			
Unquoted equity securities	-	14,597	14,597
<i>Derivative:</i>			
Forward foreign exchange contracts	(73)	-	(73)
Interest rate swaps	502	-	502
	429	-	429

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 2018 (Unaudited)

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Level 2 KD'000	Level 3 KD'000	Total fair value KD'000
31 December 2017 (Audited)			
<i>Financial assets at fair value through profit or loss:</i>			
Investment in an associate	-	108,425	108,425
Unquoted equity securities	-	186	186
	<u>-</u>	<u>108,611</u>	<u>108,611</u>
<i>Financial assets available for sale:</i>			
Unquoted equity securities	-	4,307	4,307
	<u>-</u>	<u>4,307</u>	<u>4,307</u>
<i>Derivative:</i>			
Forward foreign exchange contracts	153	-	153
Interest rate swaps	219	-	219
	<u>372</u>	<u>-</u>	<u>372</u>
	Level 2 KD'000	Level 3 KD'000	Total fair value KD'000
30 September 2017			
<i>Financial assets at fair value through profit or loss:</i>			
Investment in an associate	-	108,389	108,389
Quoted equity securities	137	-	137
	<u>137</u>	<u>108,389</u>	<u>108,526</u>
<i>Financial assets available for sale:</i>			
Unquoted equity securities	-	4,356	4,356
	<u>-</u>	<u>4,356</u>	<u>4,356</u>
<i>Derivative:</i>			
Forward foreign exchange contracts	(183)	-	(183)
Interest rate swaps	287	-	287
	<u>104</u>	<u>-</u>	<u>104</u>

The movement in the level 3 financial instruments balance primarily relates to foreign currency translation adjustments and impact of the classifications due to adoption of IFRS 9 (Note 3).

There were no transfers between the fair value hierarchies during the period.

The Group's management was unable to determine the fair value of the investment in an associate and the recoverability of interest bearing loan as at 30 September 2018 and 31 December 2017 due to certain inherent uncertainties and accordingly the investment and related loan is carried at its fair value as at 31 December 2013 (Note 4).

Fair values of unquoted equity securities classified as FVOCI are determined using valuation techniques that are not based on observable market prices or rates.