

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2019 (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 June 2019 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 109,205 thousand (31 December 2018: KD 109,246 thousand and 30 June 2018: KD 108,968 thousand) and KD 35,266 thousand (31 December 2018: KD 35,321 thousand and 30 June 2018: KD 35,232 thousand) respectively, in the interim condensed consolidated statement of financial position as at 30 June 2019. 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 2019 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

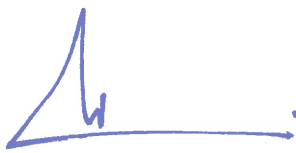
We draw attention to:

- (i) Note 9 (a) to the interim condensed consolidated financial information which describes the contingencies relating to cost reimbursable contracts with U.S. Coalition Provisional Authority (“CPA”);
- (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.

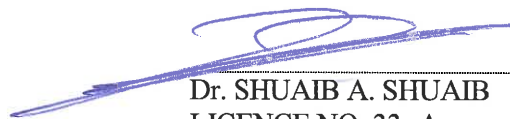
Our conclusion is not further qualified in respect of the matters set out above.

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 six months period ended 30 June 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



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15 August 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (Unaudited)

		30 June 2019 KD 000's	(Audited) 31 December 2018 KD 000's	30 June 2018 KD 000's
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment		234,373	296,690	271,450
Projects in progress		60,462	42,087	44,679
Right-of-use assets	3	160,172	-	-
Investment properties		302,776	301,568	284,493
Intangible assets		27,589	25,536	23,914
Goodwill		251,940	249,708	253,554
Investment in associates and joint ventures		100,325	101,228	63,199
Financial assets at fair value through profit or loss	4	112,781	112,831	112,500
Financial assets at fair value through other comprehensive income		15,921	15,150	13,044
Other non-current assets		31,319	36,176	32,685
Loan to a related party	10	65,648	42,054	68,942
Loan to an associate	4	35,266	35,321	35,232
Total non-current assets		1,398,572	1,258,349	1,203,692
Current assets				
Inventories		26,311	20,989	19,229
Trade receivables		339,689	338,245	315,478
Other current assets		111,204	99,649	104,988
Bank balances and cash	5	91,282	125,927	106,492
Total current assets		568,486	584,810	546,187
TOTAL ASSETS		1,967,058	1,843,159	1,749,879
EQUITY AND LIABILITIES				
EQUITY				
Share capital		176,294	153,299	153,299
Share premium		152,650	152,650	152,650
Statutory reserve		76,279	76,279	67,781
Treasury shares	6	(49,239)	(49,239)	(49,239)
Treasury shares reserve		44,366	44,366	44,366
Foreign currency translation reserve		(39,248)	(38,428)	(37,517)
Hedging reserve		(19,859)	(18,897)	(17,946)
Investment revaluation reserve		351	351	(6,150)
Other reserves		(25,823)	(24,848)	(24,423)
Retained earnings		715,201	718,006	693,449
Equity attributable to equity holders of the Parent Company		1,030,972	1,013,539	976,270
Non-controlling interests		48,717	52,695	44,667
Total equity		1,079,689	1,066,234	1,020,937
LIABILITIES				
Non-current liabilities				
Provision for employees' end of service benefits		49,105	46,837	45,796
Interest bearing loans		194,936	207,448	83,195
Lease liabilities	3	121,203	1,693	2,281
Other non-current liabilities		10,621	14,472	17,896
Total non-current liabilities		375,865	270,450	149,168
Current liabilities				
Interest bearing loans		52,060	53,534	153,968
Lease liabilities	3	30,274	1,473	1,052
Trade and other payables		420,414	443,245	415,734
Dividends payable		8,756	8,223	9,020
Total current liabilities		511,504	506,475	579,774
Total liabilities		887,369	776,925	728,942
TOTAL EQUITY AND LIABILITIES		1,967,058	1,843,159	1,749,879


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 June 2019 (Unaudited)

	<i>Notes</i>	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		2019 KD 000's	2018 KD 000's	2019 KD 000's	2018 KD 000's
Revenues					
Logistics and freight forwarding revenues		312,989	317,066	613,568	621,120
Rental revenues		17,716	15,803	35,265	30,761
Other services		65,565	51,293	126,210	104,086
Total revenues		396,270	384,162	775,043	755,967
Cost of revenues		(267,189)	(259,891)	(522,024)	(507,055)
Net revenues		129,081	124,271	253,019	248,912
General and administrative expenses		(23,126)	(34,102)	(45,667)	(65,780)
Salaries and employee benefits		(59,595)	(55,335)	(116,708)	(111,903)
Share of results of associates and joint ventures		1,041	1,297	1,879	2,418
Miscellaneous income		1,218	919	2,437	1,143
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		48,619	37,050	94,960	74,790
Depreciation		(14,094)	(7,882)	(27,864)	(15,726)
Amortisation		(1,519)	(1,013)	(2,737)	(2,030)
Profit before interest, taxation and Directors' remuneration (EBIT)		33,006	28,155	64,359	57,034
Interest income		1,837	1,680	3,369	2,679
Finance costs		(5,425)	(3,646)	(10,931)	(6,935)
Profit before taxation and Directors' remuneration		29,418	26,189	56,797	52,778
Taxation	7	(3,219)	(2,401)	(6,593)	(5,401)
Directors' remuneration		(35)	(35)	(70)	(72)
PROFIT FOR THE PERIOD		26,164	23,753	50,134	47,305
Attributable to:					
Equity holders of the Parent Company		21,613	19,993	41,894	38,897
Non-controlling interests		4,551	3,760	8,240	8,408
		26,164	23,753	50,134	47,305
BASIC AND DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (filis)	8	12.99	12.02	25.18	23.38

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 June 2019 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2019 KD 000's	2018 KD 000's	2019 KD 000's	2018 KD 000's
Profit for the period	26,164	23,753	50,134	47,305
Other comprehensive income (loss):				
<i>Items that are or may be reclassified to consolidated statement of income in subsequent periods:</i>				
Foreign currency translation adjustments	(2,397)	(3,424)	(1,185)	(10,700)
Share of other comprehensive loss of associates and joint ventures	(534)	-	(777)	-
Gain (loss) on hedge of net investments	371	(1,204)	228	(562)
(Loss) gain on cash flow hedges	(243)	24	(410)	158
Net other comprehensive loss that are or may be reclassified to consolidated statement of income in subsequent periods	(2,803)	(4,604)	(2,144)	(11,104)
<i>Items that will not be reclassified to the consolidated statement of income:</i>				
Changes in fair value of equity investments at fair value through other comprehensive income	-	(128)	-	(211)
Net other comprehensive loss that will not be reclassified to consolidated statement of income in subsequent periods	-	(128)	-	(211)
Total other comprehensive loss	(2,803)	(4,732)	(2,144)	(11,315)
Total comprehensive income for the period	23,361	19,021	47,990	35,990
Attributable to:				
Equity holders of the Parent Company	19,294	15,291	40,112	29,207
Non-controlling interests	4,067	3,730	7,878	6,783
	23,361	19,021	47,990	35,990

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 June 2019 (Unaudited)

		Six months ended 30 June	
	Notes	2019 KD 000's	2018 KD 000's
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration		56,797	52,778
Adjustments for:			
Expected credit losses of trade receivables		446	-
Reversal of impairment of trade receivables		-	(16)
Provision for employees' end of service benefits		5,874	5,710
Foreign currency exchange (gain) loss		(283)	178
Share of results of associates and joint ventures		(1,879)	(2,418)
Miscellaneous income		(2,437)	(1,143)
Depreciation of property, plant and equipment and right-of-use assets		27,864	15,726
Amortisation		2,737	2,030
Interest income		(3,369)	(2,679)
Finance costs		10,931	6,935
Operating profit before changes in working capital		96,681	77,101
Inventories		(5,418)	(2,503)
Trade receivables		(1,394)	(16,661)
Other current assets		(11,910)	(19,436)
Trade and other payables		(24,935)	3,233
		53,024	41,734
Taxation paid		(8,396)	(6,751)
Employees' end of service benefits paid		(3,464)	(5,598)
Directors' remuneration paid		(140)	(140)
Net cash flows generated from operating activities		41,024	29,245
INVESTING ACTIVITIES			
Net movement in financial assets at fair value through profit or loss		427	1,326
Net movement in financial assets at fair value through other comprehensive income		(786)	(452)
Additions to property, plant and equipment		(23,672)	(10,228)
Proceeds from disposal of property plant and equipment		366	80
Loan to a related party	10	(21,242)	(5,926)
Additions to projects in progress		(10,164)	(14,692)
Additions to investment properties		(787)	(648)
Dividends received from an associate		2,186	1,771
Acquisition of additional interest in a subsidiary		(203)	-
Acquisition of subsidiaries net of cash acquired		(1,665)	-
Interest income received		782	807
Net movement in other non-current assets		(100)	-
Net movement in deposits with original maturities exceeding three months		(3,022)	-
Net cash flows used in investing activities		(57,880)	(27,962)
FINANCING ACTIVITIES			
Net movement in interest bearing loans		32,615	17,925
Payment of lease obligations		(16,860)	-
Finance cost paid		(3,346)	(7,919)
Dividends paid to equity holders of the Parent Company		(21,171)	(18,196)
Dividends paid to non-controlling interests		(12,319)	(11,823)
Additional share capital issued by a subsidiary		260	-
Net cash flows used in financing activities		(20,821)	(20,013)
Net foreign exchange differences		10	(468)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(37,667)	(19,198)
Cash and cash equivalents at 1 January		125,927	125,690
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	88,260	106,492

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 June 2019 (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 2019	153,299	152,650	76,279	(49,239)	44,366	(38,428)	(18,897)	351	(24,848)	718,006	1,013,539	52,695	1,066,234
Profit for the period	-	-	-	-	-	-	-	-	-	41,894	41,894	8,240	50,134
Other comprehensive loss	-	-	-	-	-	(820)	(962)	-	-	-	(1,782)	(362)	(2,144)
Total comprehensive (loss) income for the period	-	-	-	-	-	(820)	(962)	-	-	41,894	40,112	7,878	47,990
Dividends (Note 11)	-	-	-	-	-	-	-	-	-	(21,704)	(21,704)	-	(21,704)
Issue of bonus shares (Note 11)	22,995	-	-	-	-	-	-	-	-	(22,995)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(12,319)	(12,319)
Issue of share capital by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	260	260
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	(975)	-	(975)	203	(772)
As at 30 June 2019	176,294	152,650	76,279	(49,239)	44,366	(39,248)	(19,859)	351	(25,823)	715,201	1,030,972	48,717	1,079,689
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	-	-	-	-	-	333	-	(8,219)	-	17	(7,869)	(80)	(7,949)
As at 1 January 2018 (restated)	133,303	152,650	67,781	(49,239)	44,366	(28,442)	(17,542)	(5,939)	(24,423)	693,421	965,936	49,707	1,015,643
Profit for the period	-	-	-	-	-	-	-	-	-	38,897	38,897	8,408	47,305
Other comprehensive loss	-	-	-	-	-	(9,075)	(404)	(211)	-	-	(9,690)	(1,625)	(11,315)
Total comprehensive (loss) income for the period	-	-	-	-	-	(9,075)	(404)	(211)	-	38,897	29,207	6,783	35,990
Dividends (Note 11)	-	-	-	-	-	-	-	-	-	(18,873)	(18,873)	-	(18,873)
Issue of bonus shares (Note 11)	19,996	-	-	-	-	-	-	-	-	(19,996)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(11,823)	(11,823)
As at 30 June 2018	153,299	152,650	67,781	(49,239)	44,366	(37,517)	(17,946)	(6,150)	(24,423)	693,449	976,270	44,667	1,020,937

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 June 2019 (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 August 2019.

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 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 2018. 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 2019.

Certain prior year amounts have been reclassified to conform to the current year presentation. There is no effect of these reclassifications on the previously reported equity and profit for the period then ended.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases* (“IFRS 16”). As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial information of the Group.

IFRS 16: Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 June 2019 (Unaudited)

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 16: Leases (continued)

The Group adopted IFRS 16 using the modified retrospective method and accordingly, the comparative information is not restated with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of land and building, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the interim condensed consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent is recognised under 'Other current assets' and 'Trade and other payables', respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The effect of adoption of IFRS 16 is as follows:

Impact on the statement of financial position [increase/(decrease)] as at 1 January 2019:

	<i>KD 000's</i>
Assets	
Right-of-use assets	175,896
Property, plant and equipment	(64,725)
Other non-current assets	(2,400)
Total assets	108,771
Liabilities	
Lease liabilities	161,939
Interest bearing loans	(49,105)
Other non-current liabilities	(2,084)
Other current liabilities	(1,979)
Total liabilities	108,771

The Group discounted lease payments using its incremental borrowing rate at 1 January 2019 between the range of 2.9% to 23.9%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 June 2019 (Unaudited)

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 16: Leases (continued)

a) Nature of the effect of adoption of IFRS 16 (continued)

A reconciliation of the operating lease commitments at 31 December 2018, disclosed in the Group's annual consolidated financial statements, to the lease liabilities recognised in the statement of financial position at 1 January 2019 is as follows:

	<i>KD 000's</i>
Operating lease commitments disclosed as at 31 December 2018	132,014
Discounted using the incremental borrowing rate at 1 January 2019	(23,243)
Recognition exemptions for short-term leases and low-value leases	(4,506)
Contracts reassessed as service agreements	(4,147)
Adjustments as a result of extension options reasonably certain to be exercised or termination options	8,653
Reclassification of finance lease obligations as at 1 January 2019	53,168
Lease obligations recognised at 1 January 2019	161,939

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 June 2019 (Unaudited)

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 16: Leases (continued)

b) Summary of new accounting policies (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operations if a replacement is not readily available.

c) Amounts recognised in the interim condensed consolidated statement of financial position and interim condensed consolidated statement of income

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	<i>Right-of-use assets</i>					
	<i>Land, buildings and improvements KD 000's</i>	<i>Tools, machinery and equipment KD 000's</i>	<i>Motor vehicles KD 000's</i>	<i>Furniture and office equipment KD 000's</i>	<i>Total KD 000's</i>	<i>Lease liabilities KD 000's</i>
At 1 January 2019	107,382	4,665	62,774	1,075	175,896	161,939
Additions	2,620	84	163	-	2,867	2,621
Depreciation	(10,720)	(729)	(2,203)	(201)	(13,853)	-
Finance cost	-	-	-	-	-	4,140
Payments	-	-	-	-	-	(16,860)
Exchange differences	(4,443)	172	(482)	15	(4,738)	(4,651)
At 30 June 2019	94,839	4,192	60,252	889	160,172	147,189
Current portion						29,453
Non-current portion						117,736
						147,189

As at 1 January 2019, lease liabilities included reclassification of finance lease obligations from interest bearing loans amounting to KD 53,168 thousand.

The lease liabilities reported in the interim condensed consolidated statement of financial position includes liabilities amounting to KD 4,288 thousand related to service concession arrangements recognised as intangible assets.

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 June 2019 (Unaudited)

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 16: Leases (continued)

c) Amounts recognised in the interim condensed consolidated statement of financial position and interim condensed consolidated statement of income (continued)

Set out below, are the amounts recognised in the interim condensed consolidated statement of income related to leases:

	<i>Six months ended 30 June 2019 KD 000's</i>
Depreciation expense of right-of-use assets	13,853
Finance cost on lease liabilities	4,140
Rent expense – Short-term and low-value assets leases	3,947
	<u> </u>

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>30 June 2019 KD 000's</i>	<i>(Audited) 31 December 2018 KD 000's</i>	<i>30 June 2018 KD 000's</i>
Investment in an associate - outside Kuwait	109,205	109,246	108,968
Unquoted equity securities - in Kuwait	106	106	106
Investment in funds - outside Kuwait	3,470	3,479	3,426
	<u>112,781</u>	<u>112,831</u>	<u>112,500</u>

During the year ended 31 December 2011, the Group (through its wholly owned subsidiary, a Venture Capital Organisation) jointly with France Telecom acquired 44% equity interest in Korek Telecom L.L.C. ("Korek Telecom"), a limited liability company incorporated in Iraq, via a joint company owned 54% by the Group and 46% by France Telecom. As a result, the Group owns 23.7% indirect interest in Korek Telecom.

The investment in Korek Telecom has been classified as an investment in an associate as the Group exercises significant influence over financial and operating policies of Korek Telecom. As this associate is held as part of Venture Capital Organization's investment portfolio, it is carried in the consolidated statement of financial position at fair value. This treatment is permitted by IAS 28 "Investment in Associates and Joint Ventures" which allows investments held by Venture Capital Organisations to be accounted for at fair value through profit and loss in accordance with IFRS 9, with changes in fair value recognised in the consolidated statement of income in the period of change.

As at 30 June 2019, interest bearing loan provided by the Group to Korek Telecom amounted to KD 35,266 thousand (31 December 2018: KD 35,321 thousand and 30 June 2018: KD 35,232 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, as well as the CMC's order to transfer the shares acquired by the Group back to the original Iraqi shareholders (which was implemented in March 2019). Without limitation, the Group's claims relate to Iraq's failure to treat the Group's investment of over USD 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 31 January 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 June 2019 (Unaudited)

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

Korek Litigation (continued)

The Group's memorial was submitted on 30 April 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. The tribunal bifurcated the proceedings on 31 October 2018, and the Group submitted its counter-memorial on jurisdiction on 10 January 2019. The reply of the respondents was submitted on 25 February 2019, and the Group's rejoinder was submitted on 21 March 2019. The hearings were held on 24 and 25 April 2019. On 9 July 2019, the tribunal issued its decision on jurisdiction in which it found that it had jurisdiction over certain (but not all) of the Group's claims. The hearing on the merits is now expected to be held in the third quarter of 2020. 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*

On 29 June 2017, IT Ltd. commenced ICC 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 2 February 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 17 May 2018 and the respondents' statement of defense was submitted on 12 September 2018. IT Ltd. submitted its reply on 8 March 2019 and the respondents submitted their rejoinder on 3 May 2019. A hearing has been scheduled for September 2019.

- *Shareholders Agreement Arbitration*

On 4 June 2018, IT Ltd. commenced ICC 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. IT Ltd. filed an amended request for arbitration on 15 January 2019 and the tribunal was constituted on 29 March 2019.

- *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 USD 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. IBL's answer and counterclaim was submitted on 8 November 2018. Korek's and IH's answer was submitted on 14 December 2018. The tribunal was constituted on 15 May 2019. A procedural timetable is yet to be established.

- *DIFC Director Claims*

On 12 March 2018 IT Ltd. commenced proceedings in the courts of the Dubai International Financial Centre ("DIFC") 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 Aqrawi, Nozad Jundi and Raymond Zina Rahmeh. The claim alleges breach of the defendants' duties as directors of International Holdings. On 20 February 2019, IT Ltd. filed an application for interim relief which is currently pending.

Separately, on 5 September 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. On 20 March 2019, Modern Global was awarded its full claim, interest and legal costs, amounting to approximately USD 4.5 million. The Group is currently in the process of enforcing the award against Korek Telecom.

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 June 2019 (Unaudited)

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

Korek Litigation (continued)

Consequently, as result of the ongoing litigation relating to Korek, the Group's management was unable to determine the fair value of this investment and the recoverability of interest bearing loan as at 30 June 2019, 31 December 2018 and 30 June 2018. Accordingly, the investment is carried at its fair value as at 31 December 2013 of USD 359 million equivalent to KD 109,205 thousand (31 December 2018: KD 109,246 thousand and 30 June 2018: KD 108,968 thousand).

5 BANK BALANCES AND CASH

	30 June 2019 KD 000's	(Audited) 31 December 2018 KD 000's	30 June 2018 KD 000's
Cash at banks and in hand	69,928	76,852	63,662
Short term deposits	18,332	49,075	42,830
Cash and cash equivalents	88,260	125,927	106,492
Deposits with original maturities exceeding 3 months	3,022	-	-
	91,282	125,927	106,492

Short term deposits are placed for varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates.

6 TREASURY SHARES

	30 June 2019	(Audited) 31 December 2018	30 June 2018
Number of treasury shares	98,978,642	86,062,497	86,062,497
Percentage of issued shares	5.61%	5.61%	5.61%
Market value in KD 000's	76,016	69,022	67,817

7 TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2019 KD 000's	2018 KD 000's	2019 KD 000's	2018 KD 000's
National labour support tax (NLST)	501	504	1,097	1,018
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	209	202	438	407
Zakat	214	202	438	407
Taxation on overseas subsidiaries	2,295	1,493	4,620	3,569
	3,219	2,401	6,593	5,401

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 June 2019 (Unaudited)

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:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	2019	2018	2019	2018
	KD 000's	KD 000's	KD 000's	KD 000's
		<i>(Restated)*</i>		<i>(Restated)*</i>
Profit for the period attributable to equity holders of the Parent Company	21,613	19,993	41,894	38,897
Weighted average number of paid up shares	Shares 1,762,930,558	Shares 1,762,930,558	Shares 1,762,930,558	Shares 1,762,930,558
Weighted average number of treasury shares	(98,978,642)	(98,978,642)	(98,978,642)	(98,978,642)
Weighted average number of outstanding shares	1,663,951,916	1,663,951,916	1,663,951,916	1,663,951,916
Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)	12.99	12.02	25.18	23.38

* 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 the year ended 31 December 2018 (Note 11).

As there are no outstanding dilutive instruments, the 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	<i>(Audited)</i> 31 December	30 June
	2019	2018	2018
	KD 000's	KD 000's	KD 000's
Letters of guarantee	143,011	127,107	158,819
Operating lease commitments	3,205	132,014	110,141
Capital commitments *	83,350	108,417	105,074
	229,566	367,538	374,034

Included in letters of guarantee are bank guarantees of KD 30,751 thousand (31 December 2018: KD 30,751 thousand and 30 June 2018: KD 30,751 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 19.87% (31 December 2018: 19.87% and 30 June 2018: 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 66,187 thousand as on 30 June 2019 (31 December 2018: KD 87,232 thousand and 30 June 2018: KD 95,000 thousand). In addition to the above, the Parent Company has also provided corporate guarantees for the project amounting to KD 62,085 thousand (31 December 2018: KD 57,976 thousand and 30 June 2018: KD 63,700 thousand) and an undertaking for the completion of the mall within an agreed timeframe.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 June 2019 (Unaudited)

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

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 USD 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 USD 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 USD 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. This matter was consolidated with the DDKS matter as detailed below.

As referenced above, the US Government offset USD 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 letter, on 1 September 2017, 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. On 3 December 2018, the Parent Company filed a Motion for Judgment on the Pleadings, as well as a motion to consolidate the DDKS matter with the still-pending COFC matter described above. On 6 December 2018, the court granted the Parent Company's motion to consolidate. On 17 December 2018, the US Government filed a Motion to Dismiss in the DDKS matter. On 28 December 2018, the Parent Company filed its reply to the US Government's motion. The reply of the US Government was filed on 14 February 2019 and a hearing was held on 28 February 2019. On 9 May 2019, the Court of Federal Claims issued an opinion granting judgment for the US Government in the amended PCO complaint and dismissed the DDKS Matter for lack of jurisdiction. The Parent Company appealed both decisions to the Federal Circuit on 14 May 2019, which the court then consolidated. The Parent Company submitted an opening brief in the consolidated appeals on 16 July 2019.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

As at and for the period ended 30 June 2019 (Unaudited)

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(b) Guarantee encashment (continued)

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. On 23 January 2019, the Company filed its defence and the court adjourned the hearing until 13 February 2019 for the submission of comments by the Customs. During this hearing, the Customs' representative requested and was granted an extension until 6 March 2019 and the case was reserved for the judgment on 1 May 2019 which was then postponed until 26 June 2019. Furthermore, the pronouncement of the judgment was extended until the hearing scheduled on 25 September 2019.

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.

(c) Contract No. 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 filing the claim No. 2587 / 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 / Commercial-General-Public requesting for the appointment of an expert to provide an opinion on the deemed renewal of the above lease contract under the law. On 9 September 2018, an administrative eviction decision No. (H/129/2018) was issued and the Parent Company appealed the same before the court under case No. 5600 / 2018 Administrative / 12.

On 25 April 2019, judgment No. 314 / 2019 was issued against the Parent Company thereby terminating the contract of allocation No. 157 as of 30 June 2018, obliging the Parent Company to vacate the land and return it to the PAI, and obliging the Parent Company to pay the rent starting from 1 July 2018 with a penalty of KD 80 per day for any delay until the delivery of the land. This judgment was issued by the Court of First Instance and is therefore not final. The Parent Company started the procedures for appeal against the above judgment and to suspend its execution until a final judgment is issued by the Court of Appeal. Additionally, the Parent Company requested the court to cancel the appealed judgment, reject the case and establish the extension and renewal of the contractual relationship of contract No. 157 for another period of 20 years starting from 1 July 2018.

The Parent Company also filed a formal objection to suspend the execution of the above judgment under formal objection No. 314 / 2019 until the disposal of the above-mentioned appeal. On 14 July 2019, a decision was issued by the Court of Appeal to suspend the expedited effects of the judgment of the Court of First Instance and a hearing on 22 September 2019 was set for the case.

The Parent Company (after consultation with the external counsel) is unable to comment on the likely outcome of the case.

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 June 2019 (Unaudited)

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(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.

On 4 June 2018, following the completion of all discovery, the Parent Company filed a motion for summary judgment. On 6 July 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 filed its opening brief on 8 November 2018. The Group filed its response on 20 December 2018. KGL filed its reply on 17 January 2019 and its appendix for the appeal on 12 February 2019. The Parent Company filed its finalized brief on 25 February 2019, and KGL filed its finalized brief on 26 February 2019.

On 28 February 2019, the Superior Court denied KGL's motion to seal portions of the reproduced record. KGL filed a renewed motion to seal portions of the reproduced record on 7 March 2019. On 12 April 2019, the court granted KGL's motion and ordered KGL to file a redacted version of the reproduced record.

On 15 May 2019, the Superior Court scheduled oral argument in the appeal. The court heard oral argument on 26 June 2019. On 1 August 2019, the Superior Court issued a decision rejecting KGL's appeal.

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:

			Six months ended 30 June	
	Major shareholders KD 000's	Other related parties KD 000's	2019 Total KD 000's	2018 Total KD 000's
Interim condensed consolidated statement of income				
Revenues	39	920	959	446
General and administrative expenses	(10)	(282)	(292)	(199)
Interest income	2,665	-	2,665	1,276
Finance costs	-	(42)	(42)	(40)

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 June 2019 (Unaudited)

10 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

	Major shareholders KD 000's	Other related parties KD 000's	30 June 2019 Total KD 000's	(Audited) 31 December 2018 Total KD 000's	30 June 2018 Total KD 000's
Interim condensed consolidated statement of financial position					
Investment in associates and joint ventures	30,977	69,348	100,325	101,228	63,199
Financial assets at fair value through profit or loss	-	109,205	109,205	109,246	108,968
Amounts due from related parties	-	2,781	2,781	2,192	1,792
Loan to a related party	-	65,648	65,648	42,054	68,942
Loan to an associate (Note 4)	-	35,266	35,266	35,321	35,232
Amounts due to related parties	154	6,117	6,271	8,542	11,521

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.

The loan to a related party amounting to KD 65,648 thousand (31 December 2018: KD 42,054 thousand and 30 June 2018: KD 37,439 thousand) is provided to the joint venture representing amounts advanced by a subsidiary of the Group towards the construction and development of a Commercial Mall in UAE ("Project"). This amount bears compounded annual interest rates as per the loan agreement and can be converted to equity in the project on completion of construction subject to the project achieving certain operational targets.

Compensation of key management personnel

The remuneration of directors (executives) and other members of key management during the period were as follows:

	Six months ended 30 June	
	2019 KD 000's	2018 KD 000's
Short-term benefits	759	870

11 DIVIDEND AND BONUS SHARES

The shareholders at the Annual General Meeting ("AGM") and the Extraordinary General Meeting held on 2 April 2019 approved consolidated financial statements for the year ended 31 December 2018 and the distribution of cash dividends of 15 fils per share (31 December 2017: 15 fils per share) and bonus shares of 15% (31 December 2017: 15%) in respect of the year ended 31 December 2018.

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, real-estate, airport and airplane ground handling, cleaning services, customs consulting, bulk fuel storage and transport and waste recycling.

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 June 2019 (Unaudited)

12 OPERATING SEGMENT INFORMATION (continued)

	<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>
Six months ended 30 June 2019				
Revenues				
External customers	556,653	218,390	-	775,043
Inter-segment	225	7,464	(7,689)	-
Total revenues	556,878	225,854	(7,689)	775,043
Segments results				50,134
	<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>
Six months ended 30 June 2018				
Revenues				
External customers	566,370	189,597	-	755,967
Inter-segment	1,016	6,716	(7,732)	-
Total revenues	567,386	196,313	(7,732)	755,967
Segments results				47,305

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 2019, 31 December 2018 and 30 June 2018.

	<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>
As at 30 June 2019				
Total assets	847,714	1,224,713	(105,369)	1,967,058
Total liabilities	388,299	1,003,334	(504,264)	887,369
As at 31 December 2018				
Total assets	761,503	1,172,686	(91,030)	1,843,159
Total liabilities	465,210	936,541	(624,826)	776,925
As at 30 June 2018				
Total assets	741,185	1,091,135	(82,441)	1,749,879
Total liabilities	304,595	870,844	(446,497)	728,942

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 June 2019 (Unaudited)

12 OPERATING SEGMENT INFORMATION (continued)

Disaggregated revenue information

The following presents the disaggregation of the Group's revenue from contracts with customers:

30 June 2019	<i>Logistics revenue KD 000's</i>	<i>Freight forwarding and project freight revenues KD 000's</i>	<i>Rental revenues KD 000's</i>	<i>Other services KD 000's</i>	Total KD 000's
<i>Timing of revenue recognition</i>					
Services performed at a point in time	60,359	22,172	-	126,210	208,741
Services performed over time	36,295	494,742	35,265	-	566,302
Total revenue from contracts with customers	96,654	516,914	35,265	126,210	775,043
30 June 2018	<i>Logistics revenue KD 000's</i>	<i>Freight forwarding and project freight revenues KD 000's</i>	<i>Rental revenues KD 000's</i>	<i>Other services KD 000's</i>	<i>Total KD 000's</i>
<i>Timing of revenue recognition</i>					
Services performed at a point in time	60,475	19,454	-	104,086	184,015
Services performed over time	39,867	501,324	30,761	-	571,952
Total revenue from contracts with customers	100,342	520,778	30,761	104,086	755,967

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Determination of fair value and fair value hierarchy:

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.

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 June 2019 (Unaudited)

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	Level 2 KD'000	Level 3 KD'000	Total fair value KD'000
30 June 2019			
<i>Financial assets measured at fair value through profit or loss</i>			
Investment in an associate	-	109,205	109,205
Equity securities	-	106	106
Investment in funds	3,470	-	3,470
Loan to a related party	-	65,648	65,648
Loan to an associate	-	35,266	35,266
	<u>3,470</u>	<u>210,225</u>	<u>213,695</u>
<i>Financial assets measured at fair value through other comprehensive income</i>			
Equity securities	-	15,921	15,921
<i>Derivative financial assets</i>			
Forward foreign exchange contracts	56	-	56
Interest rate swaps	(143)	-	(143)
	<u>(87)</u>	<u>-</u>	<u>(87)</u>
	<u>3,383</u>	<u>226,146</u>	<u>229,529</u>
31 December 2018			
<i>Financial assets measured at fair value through profit or loss</i>			
Investment in an associate	-	109,246	109,246
Equity securities	-	106	106
Investment in funds	3,479	-	3,479
Loan to a related party	-	42,054	42,054
Loan to an associate	-	35,321	35,321
	<u>3,479</u>	<u>186,727</u>	<u>190,206</u>
<i>Financial assets measured at fair value through other comprehensive income</i>			
Equity securities	-	15,150	15,150
<i>Derivative financial assets</i>			
Forward foreign exchange contracts	190	-	190
Interest rate swaps	250	-	250
	<u>440</u>	<u>-</u>	<u>440</u>
	<u>3,919</u>	<u>201,877</u>	<u>205,796</u>

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 June 2019 (Unaudited)

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Level 2 KD'000	Level 3 KD'000	Total fair value KD'000
30 June 2018			
<i>Financial assets measured at fair value through profit or loss</i>			
Investment in an associate	-	108,968	108,968
Equity securities	-	106	106
Investment in funds	3,426	-	3,426
Loan to a related party	-	68,942	68,942
Loan to an associate	-	35,232	35,232
	<u>3,426</u>	<u>213,248</u>	<u>216,674</u>
<i>Financial assets measured at fair value through other comprehensive income</i>			
Equity securities	-	13,044	13,044
<i>Derivative financial assets</i>			
Forward foreign exchange contracts	(372)	-	(372)
Interest rate swaps	517	-	517
	<u>145</u>	<u>-</u>	<u>145</u>
	<u>3,571</u>	<u>226,292</u>	<u>229,863</u>

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 June 2019 and 31 December 2018 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 financial assets classified as fair value through other comprehensive income are determined using valuation techniques that are not based on observable market prices or rates.

The following table below shows a reconciliation of the opening and the closing amount of level 3 financial assets measured at fair value:

	30 June 2019 KD'000	(Audited) 31 December 2018 KD'000	30 June 2018 KD'000
As at 1 January	201,877	112,918	112,918
IFRS 9 impact on fair value	-	(5,769)	(5,769)
IFRS 9 impact on reclassification	-	110,678	110,678
	<u>201,877</u>	<u>217,827</u>	<u>217,827</u>
Change in fair value recognised in statement of income	337	579	466
Re-measurement recognised in other comprehensive income	-	477	(211)
Others including net purchases (sales) and transfer	23,932	(17,006)	8,210
As at the reporting date	<u>226,146</u>	<u>201,877</u>	<u>226,292</u>