

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 JUNE 2018 (UNAUDITED)**



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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 2018 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended and interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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

### *Basis for Qualified Conclusion*

As stated in Note 4 to the interim condensed consolidated financial information, the Group's investment in Korek Telecom and its related loan ("Korek") is carried at KD 108,968 thousand (31 December 2017: KD 108,425 thousand and 30 June 2017: KD 108,847 thousand) and KD 35,232 thousand (31 December 2017: KD 35,098 thousand and 30 June 2017: KD 35,260 thousand) respectively, in the interim condensed consolidated statement of financial position as at 30 June 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 June 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*

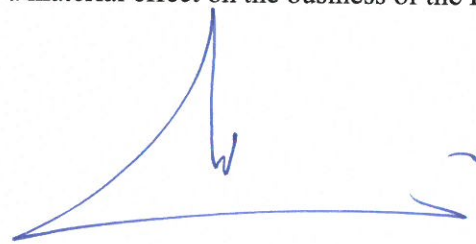
We draw attention to:

- (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.

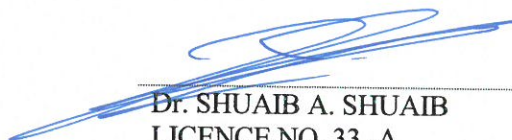
Our conclusion is not further qualified in respect of the matters set out above.

**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 six months period ended 30 June 2018 that might have had a material effect on the business of the Parent Company or on its financial position.



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6 August 2018  
Kuwait



Agility Public Warehousing Company K.S.C. P. and Subsidiaries  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2018 (Unaudited)

|  |                  | <i>(Audited)</i>   |                  |
|--|------------------|--------------------|------------------|
|  | <i>30 June</i>   | <i>31 December</i> | <i>30 June</i>   |
|  | <i>2018</i>      | <i>2017</i>        | <i>2017</i>      |
|  | <i>KD 000's</i>  | <i>KD 000's</i>    | <i>KD 000's</i>  |
| <b>ASSETS</b>  |                  |                    |                  |
| <b>Non-current assets</b>  |                  |                    |                  |
| Property, plant and equipment                                      | 271,450          | 276,835            | 276,079          |
| Projects in progress   | 44,679           | 30,065             | 17,799           |
| Investment properties  | 284,493          | 283,845            | 269,335          |
| Intangible assets  | 23,914           | 25,944             | 27,969           |
| Goodwill   | 253,554          | 258,268            | 246,808          |
| Investment in associates   | 54,658           | 54,355             | 51,945           |
| Financial assets at fair value through profit or loss              | 4 112,500        | 108,611            | 108,883          |
| Financial assets at fair value through other comprehensive income  | 13,044           | -                  | -                |
| Financial assets available for sale                                | -                | 22,669             | 33,406           |
| Other non-current assets   | 41,226           | 41,236             | 28,166           |
| Loan to a related party  | 10 68,942        | 61,525             | 35,402           |
| Loan to an associate   | 4 35,232         | 35,098             | 35,260           |
| <b>Total non-current assets</b>                                    | <b>1,203,692</b> | <b>1,198,451</b>   | <b>1,131,052</b> |
| <b>Current assets</b>  |                  |                    |                  |
| Inventories  | 19,229           | 16,497             | 15,927           |
| Trade receivables  | 315,478          | 303,977            | 276,093          |
| Other current assets   | 104,988          | 84,325             | 100,245          |
| Bank balances and cash   | 5 106,492        | 125,690            | 79,792           |
| <b>Total current assets</b>  | <b>546,187</b>   | <b>530,489</b>     | <b>472,057</b>   |
| <b>TOTAL ASSETS</b>  | <b>1,749,879</b> | <b>1,728,940</b>   | <b>1,603,109</b> |
| <b>EQUITY AND LIABILITIES</b>                                      |                  |                    |                  |
| <b>EQUITY</b>  |                  |                    |                  |
| Share capital  | 153,299          | 133,303            | 121,185          |
| 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                               | (37,517)         | (28,775)           | (24,905)         |
| Hedging reserve  | (17,946)         | (17,542)           | (17,697)         |
| Investment revaluation reserve                                     | (6,150)          | 2,280              | 1,836            |
| Other reserves   | (24,423)         | (24,423)           | (35,430)         |
| Retained earnings  | 693,449          | 693,404            | 692,759          |
| <b>Equity attributable to equity holders of the Parent Company</b> | <b>976,270</b>   | <b>973,805</b>     | <b>946,118</b>   |
| Non-controlling interests  | 44,667           | 49,787             | 31,626           |
| <b>Total equity</b>  | <b>1,020,937</b> | <b>1,023,592</b>   | <b>977,744</b>   |
| <b>LIABILITIES</b>   |                  |                    |                  |
| <b>Non-current liabilities</b>                                     |                  |                    |                  |
| Provision for employees' end of service benefits                   | 45,796           | 45,431             | 49,107           |
| Interest bearing loans   | 83,195           | 86,094             | 86,559           |
| Other non-current liabilities                                      | 20,177           | 20,531             | 10,735           |
| <b>Total non-current liabilities</b>                               | <b>149,168</b>   | <b>152,056</b>     | <b>146,401</b>   |
| <b>Current liabilities</b>   |                  |                    |                  |
| Interest bearing loans   | 153,968          | 132,841            | 102,257          |
| Trade and other payables   | 416,786          | 412,090            | 368,694          |
| Dividends payable  | 9,020            | 8,361              | 8,013            |
| <b>Total current liabilities</b>                                   | <b>579,774</b>   | <b>553,292</b>     | <b>478,964</b>   |
| <b>Total liabilities</b>   | <b>728,942</b>   | <b>705,348</b>     | <b>625,365</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                | <b>1,749,879</b> | <b>1,728,940</b>   | <b>1,603,109</b> |

  
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 2018 (Unaudited)

|  | <i>Notes</i> | <i>Three months ended<br/>30 June</i> |                          | <i>Six months ended<br/>30 June</i> |                          |
|--|--------------|---------------------------------------|--------------------------|-------------------------------------|--------------------------|
|  |              | <i>2018<br/>KD 000's</i>              | <i>2017<br/>KD 000's</i> | <i>2018<br/>KD 000's</i>            | <i>2017<br/>KD 000's</i> |
| <b>Revenues</b>  |              |                                       |                          |                                     |                          |
| Logistics and freight forwarding revenues  |              | 333,066                               | 294,382                  | 655,120                             | 570,868                  |
| Rental revenues  |              | 15,803                                | 15,141                   | 30,761                              | 29,917                   |
| Other services   |              | 35,293                                | 32,533                   | 70,086                              | 61,813                   |
| <b>Total revenues</b>  |              | <b>384,162</b>                        | 342,056                  | <b>755,967</b>                      | 662,598                  |
| <b>Cost of revenues</b>  |              | <b>(259,891)</b>                      | (224,265)                | <b>(507,055)</b>                    | (433,977)                |
| <b>Net revenues</b>  |              | <b>124,271</b>                        | 117,791                  | <b>248,912</b>                      | 228,621                  |
| General and administrative expenses  |              | (34,102)                              | (34,477)                 | (65,780)                            | (64,566)                 |
| Salaries and employee benefits   |              | (55,335)                              | (52,938)                 | (111,903)                           | (104,725)                |
| Reversal of provisions   |              | -                                     | 29,505                   | -                                   | 29,505                   |
| Settlement of litigation claims  |              | -                                     | (28,785)                 | -                                   | (28,785)                 |
| Share of results of associates   |              | 1,297                                 | 1,080                    | 2,418                               | 1,907                    |
| Miscellaneous income   |              | 919                                   | 448                      | 1,143                               | 1,438                    |
| <b>Profit before interest, taxation, depreciation,<br/>amortisation and Directors' remuneration (EBITDA)</b> |              | <b>37,050</b>                         | 32,624                   | <b>74,790</b>                       | 63,395                   |
| Depreciation   |              | (7,882)                               | (6,941)                  | (15,726)                            | (14,528)                 |
| Amortisation   |              | (1,013)                               | (1,001)                  | (2,030)                             | (2,009)                  |
| <b>Profit before interest, taxation and Directors' remuneration (EBIT)</b>                                   |              | <b>28,155</b>                         | 24,682                   | <b>57,034</b>                       | 46,858                   |
| Interest income  |              | 1,680                                 | 734                      | 2,679                               | 1,506                    |
| Finance costs  |              | (3,646)                               | (2,662)                  | (6,935)                             | (5,182)                  |
| <b>Profit before taxation and Directors' remuneration</b>  |              | <b>26,189</b>                         | 22,754                   | <b>52,778</b>                       | 43,182                   |
| Taxation   | 7            | (2,401)                               | (2,689)                  | (5,401)                             | (5,061)                  |
| Directors' remuneration  |              | (35)                                  | (35)                     | (72)                                | (70)                     |
| <b>PROFIT FOR THE PERIOD</b>   |              | <b>23,753</b>                         | 20,030                   | <b>47,305</b>                       | 38,051                   |
| <b>Attributable to:</b>  |              |                                       |                          |                                     |                          |
| Equity holders of the Parent Company   |              | 19,993                                | 16,844                   | 38,897                              | 31,403                   |
| Non-controlling interests  |              | 3,760                                 | 3,186                    | 8,408                               | 6,648                    |
|  |              | <b>23,753</b>                         | 20,030                   | <b>47,305</b>                       | 38,051                   |
| <b>BASIC AND DILUTED EARNINGS PER SHARE – attributable to Equity holders of the Parent Company (fils)</b>    | 8            | <b>13.82</b>                          | 11.64                    | <b>26.88</b>                        | 21.67                    |

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 2018 (Unaudited)

|   | <i>Three months ended<br/>30 June</i> |                 | <i>Six months ended<br/>30 June</i> |                 |
|---|---------------------------------------|-----------------|-------------------------------------|-----------------|
|   | <i>2018</i>                           | <i>2017</i>     | <i>2018</i>                         | <i>2017</i>     |
|   | <i>KD 000's</i>                       | <i>KD 000's</i> | <i>KD 000's</i>                     | <i>KD 000's</i> |
| <b>Profit for the period</b>  | <b>23,753</b>                         | 20,030          | <b>47,305</b>                       | 38,051          |
| <b>Other comprehensive income:</b>  |                                       |                 |                                     |                 |
| <i>Items that are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:</i> |                                       |                 |                                     |                 |
| - Foreign currency translation adjustments  | (3,424)                               | (1,655)         | (10,700)                            | (936)           |
| - (Loss) gain on hedge of net investments   | (1,204)                               | 64              | (562)                               | 144             |
| - Gain (loss) on cash flow hedges   | 24                                    | (77)            | 158                                 | (40)            |
|   | (4,604)                               | (1,668)         | (11,104)                            | (832)           |
| <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                              | (128)                                 | -               | (211)                               | -               |
|   | (128)                                 | -               | (211)                               | -               |
| <b>Other comprehensive loss</b>   | <b>(4,732)</b>                        | (1,668)         | <b>(11,315)</b>                     | (832)           |
| <b>Total comprehensive income for the period</b>  | <b>19,021</b>                         | 18,362          | <b>35,990</b>                       | 37,219          |
| <b>Attributable to:</b>   |                                       |                 |                                     |                 |
| Equity holders of the Parent Company  | 15,291                                | 15,896          | 29,207                              | 29,520          |
| Non-controlling interests   | 3,730                                 | 2,466           | 6,783                               | 7,699           |
|   | 19,021                                | 18,362          | 35,990                              | 37,219          |

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 2018 (Unaudited)

|   |    | Six months ended<br>30 June |                  |
|---|----|-----------------------------|------------------|
|   |    | 2018<br>KD 000's            | 2017<br>KD 000's |
| Notes   |    |                             |                  |
| <b>OPERATING ACTIVITIES</b>   |    |                             |                  |
| Profit before taxation and Directors' remuneration                                |    | 52,778                      | 43,182           |
| Adjustments for:  |    |                             |                  |
| (Reversal) provision for impairment of trade receivables                          |    | (16)                        | 647              |
| Provision for employees' end of service benefits                                  |    | 5,710                       | 5,006            |
| Foreign currency exchange loss  |    | 178                         | 455              |
| Share of results of associates  |    | (2,418)                     | (1,907)          |
| Reversal of provisions  |    | -                           | (29,505)         |
| Settlement of litigation claims   |    | -                           | 28,785           |
| Miscellaneous income  |    | (1,143)                     | (1,438)          |
| Depreciation  |    | 15,726                      | 14,528           |
| Amortisation  |    | 2,030                       | 2,009            |
| Interest income   |    | (2,679)                     | (1,506)          |
| Finance costs   |    | 6,935                       | 5,182            |
| Operating profit before changes in working capital                                |    | 77,101                      | 65,438           |
| Inventories   |    | (2,503)                     | (1,655)          |
| Trade receivables   |    | (16,661)                    | (29,704)         |
| Other current assets  |    | (19,436)                    | (2,296)          |
| Trade and other payables  |    | 3,233                       | 2,078            |
| Cash from operations  |    | 41,734                      | 33,861           |
| Settlement of litigation claims   |    | -                           | (28,785)         |
| Taxation paid   |    | (6,751)                     | (5,199)          |
| Employees' end of service benefits paid   |    | (5,598)                     | (4,008)          |
| Directors remuneration paid   |    | (140)                       | (140)            |
| Net cash flows generated from (used in) operating activities                      |    | 29,245                      | (4,271)          |
| <b>INVESTING ACTIVITIES</b>   |    |                             |                  |
| Net movement in financial assets available for sale                               |    | -                           | 673              |
| Net movement in financial assets at fair value through profit or loss             |    | 1,326                       | -                |
| Net movement in financial assets at fair value through other comprehensive income |    |                             |                  |
| Income  |    | (452)                       | -                |
| Additions to property, plant and equipment  |    | (10,228)                    | (29,744)         |
| Proceeds from disposal of property plant and equipment                            |    | 80                          | 341              |
| Loan to a related party   | 10 | (5,926)                     | (14,929)         |
| Additions to projects in progress   |    | (14,692)                    | (5,656)          |
| Additions to investment properties  |    | (648)                       | (649)            |
| Dividends received from an associate  |    | 1,771                       | 1,698            |
| Acquisition of additional interest in a subsidiary                                |    | -                           | (38)             |
| Interest income received  |    | 807                         | 387              |
| Net movement in deposits with original maturities exceeding three months          |    | -                           | 2,991            |
| Net cash flows used in investing activities                                       |    | (27,962)                    | (44,926)         |
| <b>FINANCING ACTIVITIES</b>   |    |                             |                  |
| Purchase of treasury shares   |    | -                           | (3,951)          |
| Net movement in interest bearing loans  |    | 17,925                      | 50,142           |
| Finance cost paid   |    | (7,919)                     | (5,926)          |
| Dividends paid to equity holders of the Parent Company                            |    | (18,196)                    | (631)            |
| Dividends paid to non-controlling interests                                       |    | (11,823)                    | (2,364)          |
| Net cash flows (used in) generated from from financing activities                 |    | (20,013)                    | 37,270           |
| Net foreign exchange differences  |    | (468)                       | 405              |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                  |    | <b>(19,198)</b>             | <b>(11,522)</b>  |
| Cash and cash equivalents at 1 January  |    | 125,690                     | 87,240           |
| <b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>                                       | 5  | <b>106,492</b>              | <b>75,718</b>    |

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 2018 (Unaudited)

|  | <i>Attributable to equity holders of the Parent Company</i> |                                       |   |   |   |  |   |  |  |   |                               |  |                                      |
|--|---|---------------------------------------|---|---|---|--|---|--|--|---|-------------------------------|--|--------------------------------------|
|  | <i>Share<br/>Capital<br/>KD 000's</i>                       | <i>Share<br/>Premium<br/>KD 000's</i> | <i>Statutory<br/>Reserve<br/>KD 000's</i> | <i>Treasury<br/>shares<br/>KD 000's</i> | <i>Treasury<br/>shares<br/>reserve<br/>KD 000's</i> | <i>Foreign<br/>currency<br/>translation<br/>reserve<br/>KD 000's</i> | <i>Hedging<br/>reserve<br/>KD 000's</i> | <i>Investment<br/>revaluation<br/>reserve<br/>KD 000's</i> | <i>Other<br/>reserves<br/>KD 000's</i> | <i>Retained<br/>earnings<br/>KD 000's</i> | <i>Sub total<br/>KD 000's</i> | <i>Non-<br/>controlling<br/>interests<br/>KD 000's</i> | <i>Total<br/>equity<br/>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  | -                                       | (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)                             |
| <b>As at 30 June 2018</b>                                  | <b>153,299</b>  | <b>152,650</b>                        | <b>67,781</b>                             | <b>(49,239)</b>                         | <b>44,366</b>                                       | <b>(37,517)</b>  | <b>(17,946)</b>                         | <b>(6,150)</b>   | <b>(24,423)</b>                        | <b>693,449</b>                            | <b>976,270</b>                | <b>44,667</b>  | <b>1,020,937</b>                     |
| As at 1 January 2017                                       | 121,185   | 152,650                               | 60,593                                    | (45,288)                                | 44,366  | (22,918)   | (17,801)                                | 1,836  | (35,397)                               | 661,356                                   | 920,582                       | 28,660   | 949,242                              |
| Profit for the period                                      | -   | -                                     | -   | -                                       | -   | -  | -                                       | -  | -                                      | 31,403                                    | 31,403                        | 6,648  | 38,051                               |
| Other comprehensive (loss) income                          | -   | -                                     | -   | -                                       | -   | (1,987)  | 104                                     | -  | -                                      | -   | (1,883)                       | 1,051  | (832)                                |
| Total comprehensive (loss) income for the period           | -   | -                                     | -   | -                                       | -   | (1,987)  | 104                                     | -  | -                                      | 31,403                                    | 29,520                        | 7,699  | 37,219                               |
| Purchase of treasury shares                                | -   | -                                     | -   | (3,951)                                 | -   | -  | -                                       | -  | -                                      | -   | (3,951)                       | -  | (3,951)                              |
| Dividends to non-controlling interests                     | -   | -                                     | -   | -                                       | -   | -  | -                                       | -  | -                                      | -   | -                             | (4,728)  | (4,728)                              |
| Acquisition of additional interest in a subsidiary         | -   | -                                     | -   | -                                       | -   | -  | -                                       | -  | (33)                                   | -   | (33)                          | (5)  | (38)                                 |
| As at 30 June 2017   | 121,185   | 152,650                               | 60,593                                    | (49,239)                                | 44,366  | (24,905)   | (17,697)                                | 1,836  | (35,430)                               | 692,759                                   | 946,118                       | 31,626   | 977,744                              |

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 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 Kuwait Stock Exchange and Dubai Stock Exchange. The address of the Parent Company’s Head office is Sulaibia, beside Land Customs Clearing Area, P.O. Box 25418, Safat 13115, Kuwait. The Group operates under the brand name of “Agility”.

The interim condensed consolidated financial information of the Parent Company and its subsidiaries (collectively, the “Group”) was authorised for issue by the Board of Directors on 6 August 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 June 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 price 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 June 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 profit 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 other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 June 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.

***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 in the interim condensed 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.

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 the interim condensed consolidated statement of income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

***IFRS 9 Financial Instruments (continued)***

**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 June 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<br>classification<br>under IAS 39 | New<br>classification<br>under IFRS 9 | Original<br>carrying<br>amount under<br>IAS 39<br>KD 000's | Transition<br>adjustments<br>KD 000's | New carrying<br>amount under<br>IFRS 9<br>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                      | Financial asset 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 1st January 2018 on retained earnings, investment revaluation reserve and foreign currency translation reserve is as below:

|   | Retained<br>earnings<br>KD '000 | Investment<br>revaluation<br>reserve<br>KD '000 | Foreign<br>currency<br>translation<br>reserve<br>KD '000 |
|---|---------------------------------|---|--|
| Closing balance under IAS 39 (31 December 2017)   | 693,404                         | 2,280   | (28,775)   |
| <b>Impact on reclassification and re-measurements:</b>                                  |                                 |   |  |
| 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  |
| <b>Impact on recognition of ECL on financial assets other than credit facilities:</b>   |                                 |   |  |
| ECL under IFRS 9 for trade receivables at amortised cost                                | (2,119)                         | -   | -  |
| Total   | 17                              | (8,219)   | 333  |
| Opening balance under IFRS 9 on date of initial application of 1 January 2018           | 693,421                         | (5,939)   | (28,442)   |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

**4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

|   | <b>30 June<br/>2018<br/>KD 000's</b> | <i>(Audited)</i><br><b>31 December<br/>2017<br/>KD 000's</b> | <b>30 June<br/>2017<br/>KD 000's</b> |
|---|--------------------------------------|--|--------------------------------------|
| Investment in an associate - outside Kuwait | <b>108,968</b>                       | 108,425  | 108,847                              |
| Investment in funds - outside Kuwait        | <b>3,426</b>                         | -  | -                                    |
| Unquoted equity securities - in Kuwait      | <b>106</b>                           | 186  | 36                                   |
|   | <b>112,500</b>                       | 108,611  | 108,883                              |

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 June 2018, interest bearing loan provided by the Group to Korek Telecom amounted to KD 35,232 thousand (31 December 2017: KD 35,098 thousand and 30 June 2017: KD 35,260 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. 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:

- 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 will be submitted in due course.
- Arbitration proceedings against CS Ltd. and Mr. Sirwan Saber Mustafa. The dispute, which was commenced on June 4, 2018, 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.
- Arbitration proceedings against IBL Bank SAL, Korek Telecom and International Holdings Ltd. The dispute, which was commenced on June 26, 2018, 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.

# 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 2018 (Unaudited)

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

#### *Korek Litigation (Continued)*

- 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 Aqrawi, Nozad Jundi and Raymond Zina Rahmeh. The claim alleges breach of the defendants’ duties as directors of International Holdings.
- 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 July 5, 2018.

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 June 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 108,968 thousand (31 December 2017: KD 108,425 thousand).

### 5 BANK BALANCES AND CASH

|  |                             | (Audited)                       |                             |
|--|-----------------------------|---------------------------------|-----------------------------|
|  | 30 June<br>2018<br>KD 000’s | 31 December<br>2017<br>KD 000’s | 30 June<br>2017<br>KD 000’s |
| Cash at banks and in hand                                | 63,662                      | 104,946                         | 57,686                      |
| Short term deposits                                      | 42,830                      | 20,744                          | 18,032                      |
| <b>Cash and cash equivalents</b>                         | <b>106,492</b>              | <b>125,690</b>                  | <b>75,718</b>               |
| Deposits with original maturities exceeding three months | -                           | -                               | 4,074                       |
|  | <b>106,492</b>              | <b>125,690</b>                  | <b>79,792</b>               |

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.

### 6 TREASURY SHARES

|                             |                 | (Audited)           |                 |
|-----------------------------|-----------------|---------------------|-----------------|
|                             | 30 June<br>2018 | 31 December<br>2017 | 30 June<br>2017 |
| Number of treasury shares   | 86,062,497      | 74,831,667          | 68,023,493      |
| Percentage of issued shares | 5.61%           | 5.61%               | 5.61%           |
| Market value in KD 000’s    | 67,817          | 60,015              | 55,779          |

# 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 2018 (Unaudited)

### 7 TAXATION

|  | <i>Three months ended<br/>30 June</i> |                 | <i>Six months ended<br/>30 June</i> |                 |
|--|---------------------------------------|-----------------|-------------------------------------|-----------------|
|  | <i>2018</i>                           | <i>2017</i>     | <i>2018</i>                         | <i>2017</i>     |
|  | <i>KD 000's</i>                       | <i>KD 000's</i> | <i>KD 000's</i>                     | <i>KD 000's</i> |
| National labour support tax (NLST)                                       | <b>504</b>                            | 445             | <b>1,018</b>                        | 824             |
| Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) | <b>202</b>                            | 178             | <b>407</b>                          | 330             |
| Zakat  | <b>202</b>                            | 178             | <b>407</b>                          | 330             |
| Taxation on overseas subsidiaries  | <b>1,493</b>                          | 1,888           | <b>3,569</b>                        | 3,577           |
|  | <b>2,401</b>                          | 2,689           | <b>5,401</b>                        | 5,061           |

### 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<br/>30 June</i> |                    | <i>Six months ended<br/>30 June</i> |                    |
|--|---------------------------------------|--------------------|-------------------------------------|--------------------|
|  | <i>2018</i>                           | <i>2017</i>        | <i>2018</i>                         | <i>2017</i>        |
|  | <i>KD 000's</i>                       | <i>KD 000's</i>    | <i>KD 000's</i>                     | <i>KD 000's</i>    |
|  |                                       | <i>(Restated)*</i> |                                     | <i>(Restated)*</i> |
| Profit for the period attributable to equity holders of the Parent Company                       | <b>19,993</b>                         | 16,844             | <b>38,897</b>                       | 31,403             |
|  | <i>Shares</i>                         | <i>Shares</i>      | <i>Shares</i>                       | <i>Shares</i>      |
| Weighted average number of paid up shares  | <b>1,532,983,094</b>                  | 1,532,983,094      | <b>1,532,983,094</b>                | 1,532,983,094      |
| Weighted average number of treasury shares   | <b>(86,062,497)</b>                   | (86,062,497)       | <b>(86,062,497)</b>                 | (83,664,212)       |
| Weighted average number of outstanding shares  | <b>1,446,920,597</b>                  | 1,446,920,597      | <b>1,446,920,597</b>                | 1,449,318,882      |
| Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils) | <b>13.82</b>                          | 11.64              | <b>26.88</b>                        | 21.67              |

\* 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.

### 9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

|                             | <i>30 June<br/>2018</i> | <i>(Audited)<br/>31 December<br/>2017</i> | <i>30 June<br/>2017</i> |
|-----------------------------|-------------------------|---|-------------------------|
|                             | <i>KD 000's</i>         | <i>KD 000's</i>                           | <i>KD 000's</i>         |
| Letters of guarantee        | <b>158,819</b>          | 123,149                                   | 116,028                 |
| Operating lease commitments | <b>110,141</b>          | 29,648                                    | 31,266                  |
| Capital commitments         | <b>105,074</b>          | 115,806                                   | 31,160                  |
|                             | <b>374,034</b>          | 268,603                                   | 178,454                 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

**9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)**

Included in letters of guarantee are bank guarantees of KD 31,405 thousand (31 December 2017: KD 31,405 thousand and 30 June 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 June 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 95,000 thousand as on 30 June 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) U.S. Defense Contract Audit Agency (DCAA)*

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

In November 2010, the Parent Company filed a Notice of Appeal in respect of the matter to the U.S. Armed Services Board of Contract Appeals (ASBCA). On December 10, 2014, the ASBCA ruled that it did not have subject-matter jurisdiction to review the appeal by the Parent Company. On April 8, 2015, the Parent Company appealed the ASBCA ruling to the U.S. Court of Appeals for the Federal Circuit. As part of the same contract, the Parent Company asserted a KD 13 million claim for non-reimbursed costs. This claim was denied by the ASBCA and consolidated with the above referenced Government claim for KD 23 million. Both claims were appealed to the U.S. Court of Appeals for the Federal Circuit. On April 16, 2018, the Federal Circuit affirmed the ASBCA ruling for lack of jurisdiction.

The Parent Company also filed a separate complaint at the U.S. Court of Federal Claims on 7 April 2015 on a different jurisdictional basis seeking the KD 13 million affirmative claim, the KD 4.7 million which was offset by the U.S. Government as aforementioned, and a determination that the KD 23 million demanded by the US Government is invalid. On 10 March 2016 the U.S. Court of Appeals for the Federal Circuit granted a "limited remand" back to the ASBCA for the purpose of determining the real party in interest. Notwithstanding this remand, the U.S. Court of Appeals for the Federal Circuit retained jurisdiction over the appeal. On February 14, 2017, the ASBCA issued a decision concluding that the identity of the real party in interest did not affect the ASBCA's earlier decision dismissing the Parent Company's claims for lack of jurisdiction. After the ASBCA issued its decision on remand, the Federal Circuit appeal recommenced. On April 16, 2018, the Federal Circuit affirmed the ASBCA's decision dismissing the Parent Company's appeals for lack of jurisdiction. The case remains subject to appeal and further adjudication.

On September 14, 2016, the Parent Company filed a protective claim for approximately \$47 million in case of any technical defect found in the Parent Company's April 2011 claim. On November 14, 2017, the Parent Company filed a protective complaint in the U.S. Court of Federal Claims challenging the US Government's deemed denial of the September 2016 claim. This lawsuit was stayed pending the resolution of the Federal Circuit appeal. On May 16, 2018, the Parent Company and the US Government filed a status report with the Court of Federal Claim notifying the Court of Federal Circuit decision and requesting a stay of the case until August 15, 2018.

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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION

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

**9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)**

*(b) Guarantee encashment (continued)*

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. After considering the appeal before the experts in numerous hearings and closing the deliberations on 7 May 2018, the case was reserved for issuing the expert report. The report is yet to be issued.

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 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).

Subsequent to the reporting date, on 3 July 2018, PAI notified the Parent Company of its intention to terminate the above mentioned lease contract which expired on 30 June 2018 and requested 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 and the case remains pending before the court of first instance and no judgment has been rendered to date. Accordingly the management (after consulting the legal counsel) is unable to comment on the likely outcome of the case.

*(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.

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**



# 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 2018 (Unaudited)

### 12 OPERATING SEGMENT INFORMATION (continued)

#### *Logistics and Related Services:*

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

#### *Infrastructure:*

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

| <b>Six months ended 30 June 2018</b> | <i>Logistics and related services<br/>KD 000's</i> | <i>Infrastructure<br/>KD 000's</i> | <i>Adjustments and eliminations<br/>KD 000's</i> | <b>Total<br/>KD 000's</b> |
|--------------------------------------|--|------------------------------------|--|---------------------------|
| <b>Revenues</b>                      |  |                                    |  |                           |
| External customers                   | 566,370  | 189,597                            | -  | <b>755,967</b>            |
| Inter-segment                        | 1,016  | 6,716                              | (7,732)  | <b>-</b>                  |
| <b>Total revenues</b>                | <b>567,386</b>                                     | <b>196,313</b>                     | <b>(7,732)</b>                                   | <b>755,967</b>            |
| <b>Segments result</b>               |  |                                    |  | <b>47,305</b>             |
| <br>                                 |  |                                    |  |                           |
| <b>Six months ended 30 June 2017</b> | <i>Logistics and related services<br/>KD 000's</i> | <i>Infrastructure<br/>KD 000's</i> | <i>Adjustments and eliminations<br/>KD 000's</i> | <b>Total<br/>KD 000's</b> |
| <b>Revenues</b>                      |  |                                    |  |                           |
| External customers                   | 495,266  | 167,332                            | -  | 662,598                   |
| Inter-segment                        | 273  | 3,608                              | (3,881)  | -                         |
| <b>Total revenues</b>                | <b>495,539</b>                                     | <b>170,940</b>                     | <b>(3,881)</b>                                   | <b>662,598</b>            |
| <b>Segments result</b>               |  |                                    |  | <b>38,051</b>             |

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 2018, 31 December 2017 and 30 June 2017.

|                               | <i>Logistics and related services<br/>KD 000's</i> | <i>Infrastructure<br/>KD 000's</i> | <i>Adjustments and eliminations<br/>KD 000's</i> | <b>Total<br/>KD 000's</b> |
|-------------------------------|--|------------------------------------|--|---------------------------|
| <b>As at 30 June 2018</b>     |  |                                    |  |                           |
| Total assets                  | <b>741,185</b>                                     | <b>1,091,135</b>                   | <b>(82,441)</b>                                  | <b>1,749,879</b>          |
| Total liabilities             | <b>304,595</b>                                     | <b>870,844</b>                     | <b>(446,497)</b>                                 | <b>728,942</b>            |
| <b>As at 31 December 2017</b> |  |                                    |  |                           |
| Total assets                  | 742,337  | 1,060,781                          | (74,178)   | 1,728,940                 |
| Total liabilities             | 376,623  | 830,388                            | (501,663)  | 705,348                   |
| <b>As at 30 June 2017</b>     |  |                                    |  |                           |
| Total assets                  | 718,619  | 998,175                            | (113,685)  | 1,603,109                 |
| Total liabilities             | 278,408  | 804,968                            | (458,011)  | 625,365                   |

# 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 2018 (Unaudited)

### 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 1<br/>KD'000</i> | <i>Level 2<br/>KD'000</i> | <i>Level 3<br/>KD'000</i> | <i>Total fair value<br/>KD'000</i> |
|---|---------------------------|---------------------------|---------------------------|------------------------------------|
| <b>30 June 2018</b>   |                           |                           |                           |                                    |
| <i>Financial assets at fair value through profit or loss:</i>             |                           |                           |                           |                                    |
| Investment in an associate  | -                         | -                         | 108,968                   | <b>108,968</b>                     |
| Investment in funds   | -                         | 3,426                     | -                         | <b>3,426</b>                       |
| Unquoted equity securities  | -                         | -                         | 106                       | <b>106</b>                         |
| Loan to a related party   | -                         | -                         | 68,942                    | <b>68,942</b>                      |
| Loan to an associate  | -                         | -                         | 35,232                    | <b>35,232</b>                      |
|   | <u>-</u>                  | <u>3,426</u>              | <u>213,248</u>            | <u><b>216,674</b></u>              |
| <i>Financial assets at fair value through other comprehensive income:</i> |                           |                           |                           |                                    |
| Unquoted equity securities  | -                         | -                         | 13,044                    | <b>13,044</b>                      |
| <i>Derivative:</i>  |                           |                           |                           |                                    |
| Forward foreign exchange contracts  | -                         | (372)                     | -                         | <b>(372)</b>                       |
| Interest rate swaps   | -                         | 517                       | -                         | <b>517</b>                         |
|   | <u>-</u>                  | <u>3,571</u>              | <u>226,292</u>            | <u><b>229,863</b></u>              |
| <b>31 December 2017 (Audited)</b>   |                           |                           |                           |                                    |
| <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>-</u>                  | <u>108,611</u>            | <u>108,611</u>                     |
| <i>Financial assets available for sale:</i>                               |                           |                           |                           |                                    |
| Unquoted equity securities  | -                         | -                         | 4,307                     | 4,307                              |
| <i>Derivative:</i>  |                           |                           |                           |                                    |
| Forward foreign exchange contracts  | -                         | 153                       | -                         | 153                                |
| Interest rate swaps   | -                         | 219                       | -                         | 219                                |
|   | <u>-</u>                  | <u>372</u>                | <u>112,918</u>            | <u>113,290</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 2018 (Unaudited)

### 13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

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 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.