

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2019 (UNAUDITED)



Building a better
working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Agility Public Warehousing Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 31 March 2019 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34: Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4 to the interim condensed consolidated financial information, the Group’s investment in Korek Telecom and its related loan (“Korek”) is carried at KD 109,331 thousand (31 December 2018: KD 109,246 thousand and 31 March 2018: KD 107,807 thousand) and KD 35,349 thousand (31 December 2018: KD 35,321 thousand and 31 March 2018: KD 34,856 thousand) respectively, in the interim condensed consolidated statement of financial position as at 31 March 2019. Further, the Group filed an arbitration related to its investment in Korek. We were unable to obtain sufficient appropriate evidence about the investment in Korek and the recoverability of the loan as at 31 March 2019 due to the nature and significant uncertainty around the investment and outcome of the arbitration. Consequently, we were unable to determine whether any adjustments to the carrying value of the investment and loan to Korek was necessary.

Qualified Conclusion

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

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

Emphasis of Matter

We draw attention to:

- (i) Note 9 (a) to the interim condensed consolidated financial information which describes the contingencies relating to cost reimbursable contracts with U.S. Coalition Provisional Authority (“CPA”);
- (ii) Note 9 (b) to the interim condensed consolidated financial information which describe the contingencies and claims with the General Administration of Customs for Kuwait; and
- (iii) Note 9 (c) to the interim condensed consolidated financial information which describes the uncertainty relating to renewal of the lease contract with Public Authority for Industry of the State of Kuwait.

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the three months period ended 31 March 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

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Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019 (Unaudited)

		<i>(Audited)</i>	
	<i>Notes</i>	<i>31 March 2019</i>	<i>31 December 2018</i>
		<i>KD 000's</i>	<i>KD 000's</i>
ASSETS			
Non-current assets			
Property, plant and equipment		241,604	296,690
Projects in progress		39,246	42,087
Right-of-use assets	3	171,745	-
Investment properties		302,546	301,568
Intangible assets		28,942	25,536
Goodwill		250,270	249,708
Investment in associates and joint ventures		99,831	101,228
Financial assets at fair value through profit or loss	4	112,969	112,831
Financial assets at fair value through other comprehensive income		15,640	15,150
Other non-current assets		31,858	36,176
Loan to a related party	10	50,644	42,054
Loan to an associate	4	35,349	35,321
Total non-current assets		1,380,644	1,258,349
Current assets			
Inventories		22,467	20,989
Trade receivables		323,275	338,245
Other current assets		109,017	99,649
Bank balances and cash	5	150,252	125,927
Total current assets		605,011	584,810
TOTAL ASSETS		1,985,655	1,843,159
EQUITY AND LIABILITIES			
EQUITY			
Share capital		153,299	153,299
Share premium		152,650	152,650
Statutory reserve		76,279	76,279
Treasury shares	6	(49,239)	(49,239)
Treasury shares reserve		44,366	44,366
Foreign currency translation reserve		(37,334)	(38,428)
Hedging reserve		(19,454)	(18,897)
Investment revaluation reserve		351	351
Other reserves		(25,496)	(24,848)
Retained earnings		738,287	718,006
Equity attributable to equity holders of the Parent Company		1,033,709	1,013,539
Non-controlling interests		56,951	52,695
Total equity		1,090,660	1,066,234
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits		48,324	46,837
Interest bearing loans		177,699	207,448
Lease liabilities	3	133,628	1,693
Other non-current liabilities		12,664	14,472
Total non-current liabilities		372,315	270,450
Current liabilities			
Interest bearing loans		45,267	53,534
Lease liabilities	3	29,382	1,473
Trade and other payables		439,933	443,245
Dividends payable		8,098	8,223
Total current liabilities		522,680	506,475

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

Total liabilities	894,995	776,925	727,636
TOTAL EQUITY AND LIABILITIES	1,985,655	1,843,159	1,760,248

Tarek Abdul Aziz Sultan
Vice Chairperson and CEO

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 March 2019 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
<i>Notes</i>	2019	2018
	KD 000's	KD 000's
Revenues		
Logistics and freight forwarding revenues	300,579	304,054
Rental revenues	17,549	14,958
Other services	60,645	52,793
	<hr/>	<hr/>
Total revenues	378,773	371,805
Cost of revenues	(254,835)	(247,164)
	<hr/>	<hr/>
Net revenues	123,938	124,641
General and administrative expenses	(22,541)	(31,678)
Salaries and employee benefits	(57,113)	(56,568)
Share of results of associates and joint ventures	838	1,121
Miscellaneous income	1,219	224
	<hr/>	<hr/>
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)	46,341	37,740
Depreciation	(13,770)	(7,844)
Amortisation	(1,218)	(1,017)
	<hr/>	<hr/>
Profit before interest, taxation and Directors' remuneration (EBIT)	31,353	28,879
Interest income	1,532	999
Finance costs	(5,506)	(3,289)
	<hr/>	<hr/>
Profit before taxation and Directors' remuneration	27,379	26,589
Taxation	(3,374)	(3,000)
Directors' remuneration	(35)	(37)
	<hr/>	<hr/>
PROFIT FOR THE PERIOD	23,970	23,552
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Attributable to:		
Equity holders of the Parent Company	20,281	18,904
Non-controlling interests	3,689	4,648
	<hr/>	<hr/>
	23,970	23,552
	<hr/> <hr/>	<hr/> <hr/>
BASIC AND DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (fils)	12.19	11.36
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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 31 March 2019 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2019	2018
	KD 000's	KD 000's
Profit for the period	23,970	23,552
Other comprehensive income (loss):		
<i>Items that are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>		
Foreign currency translation adjustments	1,212	(7,276)
Share of other comprehensive loss of associates and joint ventures	(243)	-
(Loss) gain on hedge of net investments	(143)	642
(Loss) gain on cash flow hedges	(167)	134
Net other comprehensive income (loss) that are or may be reclassified to consolidated statement of income in subsequent periods	659	(6,500)
<i>Items that will not be reclassified to the interim condensed consolidated statement of income:</i>		
Changes in fair value of equity investments at fair value through other comprehensive income	-	(83)
Net other comprehensive loss that will not be reclassified to consolidated statement of income in subsequent periods	-	(83)
Total other comprehensive income (loss)	659	(6,583)
Total comprehensive income for the period	24,629	16,969
Attributable to:		
Equity holders of the Parent Company	20,818	13,916
Non-controlling interests	3,811	3,053
	24,629	16,969

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 31 March 2019 (Unaudited)

	Notes	Three months ended 31 March	
		2019 KD 000's	2018 KD 000's
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration		27,379	26,589
Adjustments for:			
Expected credit losses of trade receivables		238	-
Reversal of impairment of trade receivables		-	(241)
Provision for employees' end of service benefits		2,887	2,875
Foreign currency exchange gain		75	125
Share of results of associates and joint ventures		(838)	(1,121)
Miscellaneous income		(1,219)	(224)
Depreciation of property, plant and equipment and right-of-use assets		13,770	7,844
Amortisation		1,218	1,017
Interest income		(1,532)	(999)
Finance costs		5,506	3,289
Operating profit before changes in working capital		47,484	39,154
Inventories		(1,382)	(3,017)
Trade receivables		15,187	787
Other current assets		(7,925)	(4,245)
Trade and other payables		(2,112)	2,285
		51,252	34,964
Taxation paid		(3,701)	(3,501)
Employees' end of service benefits paid		(2,342)	(2,235)
Net cash flows generated from operating activities		45,209	29,228
INVESTING ACTIVITIES			
Net movement in financial assets at fair value through profit or loss		(50)	(1,096)
Net movement in financial assets at fair value through other comprehensive income		(483)	(367)
Additions to property, plant and equipment		(7,326)	(12,440)
Proceeds from disposal of property plant and equipment		146	-
Loan to a related party	10	(7,433)	(3,697)
Additions to projects in progress		(5,620)	(1,848)
Additions to investment properties		(659)	-
Dividends received from an associate		2,186	1,771
Acquisition of additional interest in a subsidiary		(152)	-
Interest income received		276	506
Net movement in deposits with original maturities exceeding three months		(7,500)	-
Net cash flows used in investing activities		(26,615)	(17,171)
FINANCING ACTIVITIES			
Net movement in interest bearing loans		9,122	15,075
Payment of lease obligations		(8,406)	-
Finance cost paid		(2,710)	(2,895)
Dividends paid to equity holders of the Parent Company		(125)	(204)
Dividends paid to non-controlling interests		(105)	-
Additional share capital issued by a subsidiary		260	-
Net cash flows (used in) generated from financing activities		(1,964)	11,976
Net foreign exchange differences		195	(306)
NET INCREASE IN CASH AND CASH EQUIVALENTS		16,825	23,727
Cash and cash equivalents at 1 January		125,927	125,690
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	142,752	149,417

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 31 March 2019 (Unaudited)

	<i>Attributable to equity holders of the Parent Company</i>												
	<i>Share capital</i> <i>KD 000's</i>	<i>Share premium</i> <i>KD 000's</i>	<i>Statutory reserve</i> <i>KD 000's</i>	<i>Treasury shares</i> <i>KD 000's</i>	<i>Treasury shares reserve</i> <i>KD 000's</i>	<i>Foreign currency translation reserve</i> <i>KD 000's</i>	<i>Hedging reserve</i> <i>KD 000's</i>	<i>Investment revaluation reserve</i> <i>KD 000's</i>	<i>Other reserves</i> <i>KD 000's</i>	<i>Retained earnings</i> <i>KD 000's</i>	<i>Sub total</i> <i>KD 000's</i>	<i>Non-controlling interests</i> <i>KD 000's</i>	<i>Total equity</i> <i>KD 000's</i>
As at 1 January 2019	153,299	152,650	76,279	(49,239)	44,366	(38,428)	(18,897)	351	(24,848)	718,006	1,013,539	52,695	1,066,234
Profit for the period	-	-	-	-	-	-	-	-	-	20,281	20,281	3,689	23,970
Other comprehensive income (loss)	-	-	-	-	-	1,094	(557)	-	-	-	537	122	659
Total comprehensive income (loss) for the period	-	-	-	-	-	1,094	(557)	-	-	20,281	20,818	3,811	24,629
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(105)	(105)
Issue of share capital by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	260	260
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	(648)	-	(648)	290	(358)
As at 31 March 2019	153,299	152,650	76,279	(49,239)	44,366	(37,334)	(19,454)	351	(25,496)	738,287	1,033,709	56,951	1,090,660
As at 1 January 2018	133,303	152,650	67,781	(49,239)	44,366	(28,775)	(17,542)	2,280	(24,423)	693,404	973,805	49,787	1,023,592
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	-	-	333	-	(8,219)	-	17	(7,869)	(80)	(7,949)
As at 1 January 2018 (restated)	133,303	152,650	67,781	(49,239)	44,366	(28,442)	(17,542)	(5,939)	(24,423)	693,421	965,936	49,707	1,015,643
Profit for the period	-	-	-	-	-	-	-	-	-	18,904	18,904	4,648	23,552
Other comprehensive (loss) income	-	-	-	-	-	(5,681)	776	(83)	-	-	(4,988)	(1,595)	(6,583)
Total comprehensive (loss) income for the period	-	-	-	-	-	(5,681)	776	(83)	-	18,904	13,916	3,053	16,969
As at 31 March 2018	133,303	152,650	67,781	(49,239)	44,366	(34,123)	(16,766)	(6,022)	(24,423)	712,325	979,852	52,760	1,032,612

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 31 March 2019 (Unaudited)

1 CORPORATE INFORMATION

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

The interim condensed consolidated financial information of the Parent Company and its subsidiaries (collectively, the “Group”) was authorised for issue by the Board of Directors on 9 May 2019.

The main objectives of the Parent Company are as follows:

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

2 BASIS OF PREPARATION

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

The interim condensed consolidated financial information does not include all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018. In the opinion of management, all adjustments considered necessary for a fair presentation have been included in the interim condensed consolidated financial information. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2019.

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

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

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

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

IFRS 16: Leases

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

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

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 31 March 2019 (Unaudited)

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

IFRS 16: Leases (continued)

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

a) Nature of the effect of adoption of IFRS 16

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

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

The effect of adoption IFRS 16 is as follows:

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

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

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

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 31 March 2019 (Unaudited)

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

IFRS 16: Leases (continued)

a) Nature of the effect of adoption of IFRS 16

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

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

b) Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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 31 March 2019 (Unaudited)

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

IFRS 16: Leases (continued)

b) Summary of new accounting policies (continued)

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

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

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

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

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

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

	<i>Right-of-use assets</i>					
	<i>Land, buildings and improvements KD 000's</i>	<i>Tools, machinery and equipment KD 000's</i>	<i>Motor vehicles KD 000's</i>	<i>Furniture and office equipment KD 000's</i>	<i>Total KD 000's</i>	<i>Lease liabilities KD 000's</i>
At 1 January 2019	107,382	4,665	62,774	1,075	175,896	161,939
Additions	2,552	4	140	9	2,705	2,705
Depreciation	(5,269)	(348)	(1,139)	(100)	(6,856)	-
Finance cost	-	-	-	-	-	2,178
Payments	-	-	-	-	-	(8,406)
At 31 March 2019	104,665	4,321	61,775	984	171,745	158,416
Current portion						28,569
Non-current portion						129,847
						158,416

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

The lease liabilities reported in the interim condensed consolidated statement of financial position includes liabilities amounting to KD 4,594 thousand related to service concession arrangements recognised as intangible assets.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 31 March 2019 (Unaudited)

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

IFRS 16: Leases (continued)

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

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

	<i>Three months ended 31 March 2019 KD 000's</i>
Depreciation expense of right-of-use assets	6,856
Finance cost on lease liabilities	2,109
Rent expense – Short-term and low-value assets leases	1,445
Total amounts recognised in statement of income	10,410

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>31 March 2019 KD 000's</i>	<i>(Audited) 31 December 2018 KD 000's</i>	<i>31 March 2018 KD 000's</i>
Investment in an associate - outside Kuwait	109,331	109,246	107,807
Unquoted equity securities - in Kuwait	106	106	106
Investment in funds - outside Kuwait	3,532	3,479	5,413
	112,969	112,831	113,326

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

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

As at 31 March 2019, interest bearing loan provided by the Group to Korek Telecom amounted to KD 35,349 thousand (31 December 2018: KD 35,321 thousand and 31 March 2018: KD 34,856 thousand) (Note 10).

Korek Litigation

In February 2017, the Group filed a request for arbitration against the Republic of Iraq pursuant to Article 36 of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID"), and Article 10 of the Agreement between the Government of the State of Kuwait and the Government of the Republic of Iraq for Reciprocal Promotion and Protection of Investments (the "2015 BIT"). The claim arises from a series of actions and inactions of the Iraqi government, including its regulatory agency Communications & Media Commission ("CMC") relating to an alleged decision by the CMC to annul the previous written consent granted in connection with the Group's investment in Korek Telecom, as well as the CMC's order to transfer the shares acquired by the Group back to the original Iraqi shareholders (which was implemented in March 2019). Without limitation, the Group's claims relate to Iraq's failure to treat the Group's investment of over USD 380 million fairly and equitably, its failure to accord the Group with due process, as well as the indirect expropriation of that investment, each in breach of the 2015 BIT. On 24 February 2017, the Group's request for arbitration was formally registered with ICSID. The arbitration tribunal was formally constituted on 20 December 2017 and an initial procedural hearing was held on 31 January 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 31 March 2019 (Unaudited)

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

Korek Litigation (continued)

The Group's memorial was submitted on 30 April 2018. On 6 August 2018, Iraq submitted objections to jurisdiction and requested that they be determined as a preliminary matter before the case proceeds further on the merits. The tribunal bifurcated the proceedings on 31 October 2018, and the Group submitted its counter-memorial on jurisdiction on 10 January 2019. The reply of the respondents was submitted on 25 February 2019, and the Group's rejoinder was submitted on 21 March 2019. The hearings were held on 24 and 25 April 2019, and the tribunal's ruling on jurisdiction is expected in August or September 2019. As the dispute remains pending without legal resolution and in the absence of clarity, the financial impact of this case may not be assessed.

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

- *Share Subscription Agreement Arbitration*

On 29 June 2018, IT Ltd. commenced ICC arbitration proceedings against Korek International (Management) Ltd. ("CS Ltd.") and Mr. Sirwan Saber Mustafa. The dispute is in relation to the monies owed by CS Ltd. and guaranteed by Mr. Sirwan Saber Mustafa under a subscription agreement relating to the Group's investment in Korek Telecom. The amount in dispute is approximately USD 75 million (excluding interest). The tribunal was constituted on 2 February 2018, with terms of reference and a procedural timetable to be issued by the tribunal in due course.

IT Ltd.'s statement of claim was submitted on 17 May 2018 and the respondents' statement of defense was submitted on 12 September 2018. IT Ltd. submitted its reply on 8 March 2019 and the respondents submitted their rejoinder on 3 May 2019. A hearing has been scheduled for September 2019.

- *Shareholders Agreement Arbitration*

On 4 June 2018, IT Ltd. commenced ICC arbitration proceedings against CS Ltd. and Mr. Sirwan Saber Mustafa. The dispute is in relation to various contractual breaches by the respondents under a shareholders' agreement relating to the Parent Company's investment in Korek Telecom. The amount in dispute is to be determined during the course of the proceedings. The request for arbitration was submitted on 4 June 2018, and the respondents' reply was submitted on 10 September 2018. IT Ltd. filed an amended request for arbitration on 15 January 2019 and the tribunal was constituted on 29 March 2019.

- *IBL Subordination Agreement Arbitration*

Arbitration proceedings against IBL Bank SAL, Korek Telecom and International Holdings Ltd. The dispute is in relation to alleged fraud orchestrated by certain Korek Telecom stakeholders with the knowledge and cooperation of IBL Bank in connection with a subordination agreement relating to a USD 150 million loan extended by IBL Bank to Korek Telecom. The amount in dispute is to be determined during the course of the proceedings. The request for arbitration was submitted on 26 June 2018, and the respondents' reply and counter-claim was submitted on 8 October 2018. The counterclaim seeks damages for losses (still unquantified) allegedly suffered by the respondents in relation to their reputation and good standing. IBL's answer and counterclaim was submitted on 8 November 2018. Korek's and IH's answer was submitted on 14 December 2018. The tribunal is in the process of being constituted.

- *DIFC Director Claims*

On 12 March 2018 IT Ltd. commenced proceedings in the courts of the Dubai International Financial Centre ("DIFC") against certain directors of International Holdings Limited (the holding company of Korek in which IT Ltd. holds a 44% interest). The defendant directors are Abdulhameed Aqrawi, Nozad Jundi and Raymond Zina Rahmeh. The claim alleges breach of the defendants' duties as directors of International Holdings. On 21 February 2019, IT Ltd. filed an application for interim relief which is currently pending.

Separately, on 5 September 2017, Modern Global Company for General Trading of Equipment, Supplier for Construction and Real Estate WLL (a wholly owned subsidiary of the Parent Company) commenced arbitration proceedings against Korek Telecom in relation to Korek's alleged failure to pay servicing fees due to Modern Global under a services agreement. On 20 March 2019, Modern Global was awarded its full claim, interest and legal costs, amounting to approximately USD 4.5 million. The Group is currently in the process of enforcing the award against Korek Telecom.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 31 March 2019 (Unaudited)

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

Korek Litigation (continued)

Consequently, as result of the ongoing litigation relating to Korek, the Group's management was unable to determine the fair value of this investment and the recoverability of interest bearing loan as at 31 March 2019 and 31 December 2018. Accordingly the investment is carried at its fair value as at 31 December 2013 of USD 359 million equivalent to KD 109,331 thousand (31 December 2018: KD 109,246 thousand and 31 March 2018: KD 107,807 thousand).

5 BANK BALANCES AND CASH

	<i>31 March 2019 KD 000's</i>	<i>(Audited) 31 December 2018 KD 000's</i>	<i>31 March 2018 KD 000's</i>
Cash at banks and in hand	83,993	76,852	102,146
Short term deposits	58,759	49,075	47,271
Cash and cash equivalents	142,752	125,927	149,417
Deposits with original maturities exceeding 3 months	7,500	-	-
	150,252	125,927	149,417

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

6 TREASURY SHARES

	<i>31 March 2019</i>	<i>(Audited) 31 December 2018</i>	<i>31 March 2018</i>
Number of treasury shares	86,062,497	86,062,497	74,831,667
Percentage of issued shares	5.61%	5.61%	5.61%
Market value in KD 000's	75,391	69,022	64,729

7 TAXATION

	<i>Three months ended 31 March</i>	
	<i>2019 KD 000's</i>	<i>2018 KD 000's</i>
National labour support tax (NLST)	596	514
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	229	205
Zakat	224	205
Taxation on overseas subsidiaries	2,325	2,076
	3,374	3,000

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 31 March 2019 (Unaudited)

8 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	2019	2018
	KD 000's	KD 000's
		<i>(Restated)*</i>
Profit for the period attributable to equity holders of the Parent Company	20,281	18,904
Weighted average number of paid up shares	1,762,930,558	1,762,930,558
Weighted average number of treasury shares	(98,978,642)	(98,978,642)
Weighted average number of outstanding shares	1,663,951,916	1,663,951,916
Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)	12.19	11.36

*Basic and diluted earnings per share for the comparative period presented have been restated to reflect the issue adjustment of bonus shares following the bonus issue relating to the year ended 31 December 2018 (Note 11).

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

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>(Audited)</i>		
	31 March	31 December	31 March
	2019	2018	2018
	KD 000's	KD 000's	KD 000's
Letters of guarantee	152,633	127,107	156,932
Operating lease commitments	3,061	132,014	137,711
Capital commitments *	95,642	108,417	108,305
	251,336	367,538	402,948

Included in letters of guarantee are bank guarantees of KD 30,751 thousand (31 December 2018: KD 30,751 thousand and 31 March 2018: 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 19.87% (31 December 2018: 19.87% and 31 March 2018: 13.35%) and has also extended interest bearing loan facilities to the project (Note 10). Commitments undertaken by the Group towards further investments in the project amount to KD 79,706 thousand as on 31 March 2019 (31 December 2018: KD 87,232 thousand and 31 March 2018: KD 97,330 thousands). In addition to the above, the Parent Company has also provided corporate guarantees for the project amounting to KD 62,231 thousand (31 December 2018: KD 57,976 thousand and 31 March 2018: KD 63,700 thousand) and an undertaking for the completion of the mall within an agreed timeframe.

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 31 March 2019 (Unaudited)

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims

(a) PCO Contract

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

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

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

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

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

On 21 September 2018, the Parent Company filed an amended complaint in the DDKS Matter. On 3 December 2018, the Parent Company filed a Motion for Judgment on the Pleadings, as well as a motion to consolidate the DDKS matter with the still-pending COFC matter described above. On 6 December 2018, the court granted the Parent Company's motion to consolidate. On 17 December 2018, the US Government filed a Motion to Dismiss in the DDKS matter. On 28 December 2018, the Parent Company filed its reply to the US Government's motion. The reply of the US Government was filed on 14 February 2019, a hearing was held two weeks later on 28 February 2019, and a decision is forthcoming.

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

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

(b) Guarantee encashment

A resolution was issued by the General Administration of Customs for Kuwait ("GAC") to cash a portion, amounting to KD 10,092 thousand of the bank guarantee submitted by Global Clearing House Systems K.S.C. (Closed) (the "Company"), a subsidiary of the Parent Company, in favour of GAC in relation to performance of a contract. Pursuant to this resolution, GAC called the above guarantee during the year ended 31 December 2007.

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

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 31 March 2019 (Unaudited)

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(b) Guarantee encashment (continued)

The Company appealed the judgment before the Court of Appeal requesting an increase in compensation. GAC also filed an appeal No. 1955 / 2014 administrative 4 before the Court of Appeal. On 13 September 2015, the Court of Appeal pronounced its judgement affirming the decision of the Court of First Instance. Both the Company and GAC appealed against this ruling before the Kuwait Court of Cassation in appeals No. 148, 1487 for the year 2015. On 15 March 2017, the Court of Cassation resolved to defer the appeal to the experts. On 7 May 2018, the experts committee issued a report affirming the Parent Company's right for the claimed compensation. The case was heard before the Court of Cassation on 3 October 2018. On 23 January 2019 the company filed its defense and the court adjourned the hearing until 13 February 2019 for the submission of comments by the Customs. During this hearing, the Customs' representative requested and was granted an extension until 6 March 2019. During this hearing, the case was reserved for the judgment on 1 May 2019 which was then postponed until 26 June 2019.

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

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

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

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

On 3 July 2018, PAI notified the Parent Company of its intention to terminate the above mentioned lease contract alleging that it expired on 30 June 2018 and requesting the Parent Company to deliver the plot. Based on a legal opinion from the Parent Company's external legal counsel, the notice of termination is in breach of the law and the Parent Company has initiated the necessary legal actions filing the claim No. 2587 / 2018 Commercial-General-Public / 24, a protective claim on the above plot through the case No. 3686 / 2018 / Commercial-General-Public and the case No. 4522 / 2018 / Commercial-General-Public requesting for the appointment of an expert to provide an opinion on the deemed renewal of the above lease contract under the law. On 9 September 2018, an administrative eviction decision No. (H/129/2018) was issued and the Parent Company appealed the same before the court under case No. 5600 / 2018 administrative / 12.

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

The Parent Company (after consultation with the external 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.

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

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 31 March 2019 (Unaudited)

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(d) KGL Litigation (continued)

On 1 August 2018, KGL appealed the summary judgment to the Pennsylvania Superior Court. KGL filed its opening brief on 8 November 2018. The Group filed its response on 20 December 2018. KGL filed its reply on 17 January 2019 and its appendix for the appeal on 12 February 2019. The Parent Company filed its finalized brief on 25 February 2019, and KGL filed its finalized brief on 26 February 2019. The hearings have not yet been scheduled.

On 28 February 2019, the Superior Court denied KGL's motion to seal portions of the reproduced record. KGL filed a renewed motion to seal portions of the reproduced record on 7 March 2019. On 12 April 2019, the court granted KGL's motion and ordered KGL to file a redacted version of the reproduced record. KGL has not yet filed this redacted version.

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

10 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions and balances with related parties are as follows:

	Major shareholders KD 000's	Other related parties KD 000's	Three months ended 31 March	
			2019 Total KD 000's	2018 Total KD 000's
Interim condensed consolidated statement of income				
Revenues	18	201	219	224
General and administrative expenses	(5)	(109)	(114)	(109)
Interest income	-	1,107	1,107	659
Finance costs	-	(21)	(21)	(19)
			(Audited)	
			31 March	31 March
			2019	2018
			Total	Total
			KD 000's	KD 000's
Interim condensed consolidated statement of financial position				
Investment in associates and joint ventures	31,162	68,669	99,831	101,228
Financial assets at fair value through profit or loss	-	109,331	109,331	109,246
Amounts due from related parties	-	1,850	1,850	2,192
Loan to a related party	-	50,644	50,644	42,054
Loan to an associate (Note 4)	-	35,349	35,349	35,321
Amounts due to related parties	343	6,275	6,618	8,542

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

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 31 March 2019 (Unaudited)

10 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

The loan to a related party amounting to KD 50,644 thousand (31 December 2018: KD 42,054 thousand and 31 March 2018: KD 32,900 thousand) is provided to the joint venture representing amounts advanced by a subsidiary of the Group towards the construction and development of a Commercial Mall in UAE (“Project”). This amount bears compounded annual interest rates as per the loan agreement and can be converted to equity in the project on completion of construction subject to the project achieving certain operational targets.

Compensation of key management personnel

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	2019	2018
	KD 000's	KD 000's
Short-term benefits	368	434

11 DIVIDEND AND BONUS SHARES

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

12 OPERATING SEGMENT INFORMATION

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

Logistics and Related Services:

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

Infrastructure:

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

Three months ended 31 March 2019	<i>Logistics and related services</i>	<i>Infrastructure</i>	<i>Adjustments and eliminations</i>	Total
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Revenues				
External customers	274,794	103,979	-	378,773
Inter-segment	188	3,663	(3,851)	-
Total revenues	274,982	107,642	(3,851)	378,773
Segments results				23,970
Three months ended 31 March 2018	<i>Logistics and related services</i>	<i>Infrastructure</i>	<i>Adjustments and eliminations</i>	Total
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Revenues				
External customers	277,196	94,609	-	371,805
Inter-segment	864	4,161	(5,025)	-
Total revenues	278,060	98,770	(5,025)	371,805
Segments results				23,552

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 31 March 2019 (Unaudited)

12 OPERATING SEGMENT INFORMATION (continued)

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 31 March 2019, 31 December 2018 and 31 March 2018.

	<i>Logistics and related services KD 000's</i>	<i>Infrastructure KD 000's</i>	<i>Adjustments and eliminations KD 000's</i>	<i>Total KD 000's</i>
<i>As at 31 March 2019</i>				
Total assets	854,433	1,234,472	(103,250)	1,985,655
Total liabilities	399,259	990,865	(495,129)	894,995
<i>As at 31 December 2018</i>				
Total assets	761,503	1,172,686	(91,030)	1,843,159
Total liabilities	465,210	936,541	(624,826)	776,925
<i>As at 31 March 2018</i>				
Total assets	740,398	1,103,010	(88,261)	1,755,147
Total liabilities	300,995	868,944	(442,303)	727,636

Disaggregated revenue information

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

	<i>Logistics revenue KD 000's</i>	<i>Freight forwarding and project freight revenues KD 000's</i>	<i>Rental revenues KD 000's</i>	<i>Other services KD 000's</i>	<i>Total KD 000's</i>
31 March 2019					
<i>Timing of revenue recognition</i>					
Services performed at a point in time	26,871	10,684	-	60,645	98,200
Services performed over time	18,059	244,965	17,549	-	280,573
Total revenue from contracts with customers	44,930	255,649	17,549	60,645	378,773
31 March 2018					
<i>Timing of revenue recognition</i>					
Services performed at a point in time	30,718	10,042	-	52,793	93,553
Services performed over time	18,919	244,375	14,958	-	278,252
Total revenue from contracts with customers	49,637	254,417	14,958	52,793	371,805

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 31 March 2019 (Unaudited)

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Determination of fair value and fair value hierarchy:

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

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

	<i>Level 2</i> <i>KD'000</i>	<i>Level 3</i> <i>KD'000</i>	<i>Total fair value</i> <i>KD'000</i>
31 March 2019			
<i>Financial assets measured at fair value through profit or loss</i>			
Investment in an associate	-	109,331	109,331
Equity securities	-	106	106
Investment in funds	3,532	-	3,532
Loan to a related party	-	50,644	50,644
Loan to an associate	-	35,349	35,349
	<u>3,532</u>	<u>195,430</u>	<u>198,962</u>
<i>Financial assets measured at fair value through other comprehensive income</i>			
Equity securities	-	15,640	15,640
<i>Derivative financial assets</i>			
Forward foreign exchange contracts	(136)	-	(136)
Interest rate swaps	105	-	105
	<u>(31)</u>	<u>-</u>	<u>(31)</u>
	<u>3,501</u>	<u>211,070</u>	<u>214,571</u>
31 December 2018			
<i>Financial assets measured at fair value through profit or loss</i>			
Investment in an associate	-	109,246	109,246
Equity securities	-	106	106
Investment in funds	3,479	-	3,479
Loan to a related party	-	42,054	42,054
Loan to an associate	-	35,321	35,321
	<u>3,479</u>	<u>186,727</u>	<u>190,206</u>
<i>Financial assets measured at fair value through other comprehensive income</i>			
Equity securities	-	15,150	15,150
<i>Derivative financial assets</i>			
Forward foreign exchange contracts	190	-	190
Interest rate swaps	250	-	250
	<u>440</u>	<u>-</u>	<u>440</u>
	<u>3,919</u>	<u>201,877</u>	<u>205,796</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 31 March 2019 (Unaudited)

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 2</i> <i>KD'000</i>	<i>Level 3</i> <i>KD'000</i>	<i>Total fair value</i> <i>KD'000</i>
31 March 2018			
<i>Financial assets measured at fair value through profit or loss</i>			
Investment in an associate	-	107,807	107,807
Equity securities	-	106	106
Investment in funds	5,413	-	5,413
Loan to a related party	-	64,404	64,404
Loan to an associate	-	34,856	34,856
	<u>5,413</u>	<u>207,173</u>	<u>212,586</u>
<i>Financial assets measured at fair value through other comprehensive income</i>			
Equity securities	-	12,833	12,833
<i>Derivative financial assets</i>			
Forward foreign exchange contracts	226	-	226
Interest rate swaps	493	-	493
	<u>719</u>	<u>-</u>	<u>719</u>
	<u>6,132</u>	<u>220,006</u>	<u>226,138</u>

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

The Group's management was unable to determine the fair value of the investment in an associate and the recoverability of interest bearing loan as at 31 March 2019 and 31 December 2018 due to certain inherent uncertainties and accordingly the investment and related loan is carried at its fair value as at 31 December 2013 (Note 4).

Fair values of financial assets classified as fair value through other comprehensive income are determined using valuation techniques that are not based on observable market prices or rates.

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

	<i>31 March</i> <i>2019</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD'000</i>	<i>31 March</i> <i>2018</i> <i>KD'000</i>
As at 1 January	201,877	112,918	112,918
IFRS 9 impact on fair value	-	(5,769)	(5,769)
IFRS 9 impact on reclassification	-	110,678	110,678
	<u>201,877</u>	<u>217,827</u>	<u>217,827</u>
Re-measurement recognised in other comprehensive income	-	477	(83)
Others including net purchases (sales) and transfer	9,193	(16,427)	2,262
	<u>211,070</u>	<u>201,877</u>	<u>220,006</u>