

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2019 (UNAUDITED)



Building a better
working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Agility Public Warehousing Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 30 September 2019, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34: Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4 to the interim condensed consolidated financial information, the Group’s investment in Korek Telecom and its related loan (“Korek”) is carried at KD 109,490 thousand (31 December 2018: KD 109,246 thousand and 30 September 2018: KD 108,988 thousand) and KD 35,358 thousand (31 December 2018: KD 35,321 thousand and 30 September 2018: 35,238 KD thousand) respectively, in the interim condensed consolidated statement of financial position as at 30 September 2019. Further, the Group filed an arbitration related to its investment in Korek. We were unable to obtain sufficient appropriate evidence about the investment in Korek and the recoverability of the loan as at 30 September 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

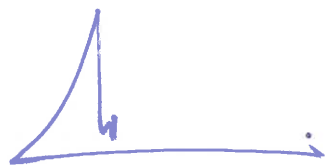
We draw attention to:

- (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 nine months period ended 30 September 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



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14 November 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019 (Unaudited)

		30 September 2019 KD 000's	(Audited) 31 December 2018 KD 000's	30 September 2018 KD 000's
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment		243,586	296,690	282,544
Projects in progress		61,462	42,087	45,389
Right-of-use assets	3	156,579	-	-
Investment properties		303,713	301,568	286,529
Intangible assets		25,976	25,536	22,917
Goodwill		253,063	249,708	253,471
Investment in associates and joint ventures		100,584	101,228	64,062
Financial assets at fair value through profit or loss	4	113,051	112,831	112,894
Financial assets at fair value through other comprehensive income		15,946	15,150	14,597
Other non-current assets		23,928	36,176	33,231
Loan to a related party	10	83,109	42,054	74,603
Loan to an associate	4	35,358	35,321	35,238
Total non-current assets		1,416,355	1,258,349	1,225,475
Current assets				
Inventories		30,972	20,989	20,112
Trade receivables		323,810	338,245	337,294
Other current assets		112,598	99,649	114,242
Bank balances and cash	5	112,190	125,927	108,875
Total current assets		579,570	584,810	580,523
TOTAL ASSETS		1,995,925	1,843,159	1,805,998
EQUITY AND LIABILITIES				
EQUITY				
Share capital		176,294	153,299	153,299
Share premium		152,650	152,650	152,650
Statutory reserve		76,279	76,279	67,781
Treasury shares	6	(49,239)	(49,239)	(49,239)
Treasury shares reserve		44,366	44,366	44,366
Foreign currency translation reserve		(41,163)	(38,428)	(37,962)
Hedging reserve		(20,511)	(18,897)	(17,983)
Investment revaluation reserve		351	351	(337)
Other reserves		(25,822)	(24,848)	(23,836)
Retained earnings		736,881	718,006	707,038
Equity attributable to equity holders of the Parent Company		1,050,086	1,013,539	995,777
Non-controlling interests		53,085	52,695	48,932
Total equity		1,103,171	1,066,234	1,044,709
LIABILITIES				
Non-current liabilities				
Provision for employees' end of service benefits		49,376	46,837	47,658
Interest bearing loans		208,092	207,448	82,538
Lease liabilities	3	119,325	1,693	2,187
Other non-current liabilities		10,462	14,472	16,559
Total non-current liabilities		387,255	270,450	148,942
Current liabilities				
Interest bearing loans		52,366	53,534	164,695
Lease liabilities	3	27,464	1,473	1,140
Trade and other payables		417,361	443,245	438,074
Dividends payable		8,308	8,223	8,438
Total current liabilities		505,499	506,475	612,347
Total liabilities		892,754	776,925	761,289
TOTAL EQUITY AND LIABILITIES		1,995,925	1,843,159	1,805,998



Tarek Abdul Aziz Sultan
Vice Chairperson and CEO

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

Agility Public Warehousing Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the period ended 30 September 2019 (Unaudited)

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2019</i> <i>KD 000's</i>	<i>2018</i> <i>KD 000's</i>	<i>2019</i> <i>KD 000's</i>	<i>2018</i> <i>KD 000's</i>
Revenues					
Logistics and freight forwarding revenues		319,987	322,788	933,555	943,908
Rental revenues		17,492	15,688	52,757	46,449
Other services		63,232	55,969	189,442	160,055
Total revenues		400,711	394,445	1,175,754	1,150,412
Cost of revenues		(267,378)	(269,247)	(789,402)	(776,302)
Net revenues		133,333	125,198	386,352	374,110
General and administrative expenses		(28,649)	(32,827)	(74,316)	(98,607)
Salaries and employee benefits		(59,055)	(55,847)	(175,763)	(167,750)
Share of results of associates and joint ventures		486	1,505	2,365	3,923
Miscellaneous income		1,313	1,208	3,750	2,351
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		47,428	39,237	142,388	114,027
Depreciation		(14,488)	(8,139)	(42,352)	(23,865)
Amortisation		(1,612)	(1,012)	(4,349)	(3,042)
Profit before interest, taxation and Directors' remuneration (EBIT)		31,328	30,086	95,687	87,120
Interest income		2,490	905	5,859	3,584
Finance costs		(5,685)	(2,890)	(16,616)	(9,825)
Profit before taxation and Directors' remuneration		28,133	28,101	84,930	80,879
Taxation	7	(2,175)	(3,362)	(8,768)	(8,763)
Directors' remuneration		(35)	(35)	(105)	(107)
PROFIT FOR THE PERIOD		25,923	24,704	76,057	72,009
Attributable to:					
Equity holders of the Parent Company		21,680	20,001	63,574	58,898
Non-controlling interests		4,243	4,703	12,483	13,111
		25,923	24,704	76,057	72,009
BASIC AND DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (fils)	8	13.03	12.02	38.21	35.40

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2019 (Unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period	25,923	24,704	76,057	72,009
Other comprehensive (loss) income:				
<i>Items that are or may be reclassified to consolidated statement of income in subsequent periods:</i>				
Foreign currency translation adjustments	(1,434)	(808)	(2,619)	(11,508)
Share of other comprehensive loss of associates and joint ventures	(225)	-	(1,002)	-
Loss on hedge of net investments	(402)	(22)	(174)	(584)
(Loss) gain on cash flow hedges	(64)	(15)	(474)	143
Net other comprehensive loss that are or may be reclassified to consolidated statement of income in subsequent periods	(2,125)	(845)	(4,269)	(11,949)
<i>Items that will not be reclassified to the consolidated statement of income:</i>				
Changes in fair value of equity investments at fair value through other comprehensive income	-	-	-	(211)
Net other comprehensive loss that will not be reclassified to consolidated statement of income in subsequent periods	-	-	-	(211)
Total other comprehensive loss	(2,125)	(845)	(4,269)	(12,160)
Total comprehensive income for the period	23,798	23,859	71,788	59,849
Attributable to:				
Equity holders of the Parent Company	19,113	19,519	59,225	48,726
Non-controlling interests	4,685	4,340	12,563	11,123
	23,798	23,859	71,788	59,849

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2019 (Unaudited)

		<i>Nine months ended 30 September</i>	
	<i>Notes</i>	2019 KD 000's	2018 KD 000's
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration		84,930	80,879
Adjustments for:			
Expected credit losses of trade receivables		542	130
Provision for employees' end of service benefits		9,042	8,660
Foreign currency exchange gain		(603)	(176)
Share of results of associates and joint ventures		(2,365)	(3,923)
Miscellaneous income		(3,750)	(2,351)
Depreciation of property, plant and equipment and right-of-use assets		42,352	23,865
Amortisation		4,349	3,042
Interest income		(5,859)	(3,584)
Finance costs		16,616	9,825
Operating profit before changes in working capital		145,254	116,367
Inventories		(10,027)	(3,596)
Trade receivables		9,835	(43,608)
Other current assets		(15,060)	(32,240)
Trade and other payables		(12,932)	35,224
		117,070	72,147
Taxation paid		(10,987)	(8,875)
Employees' end of service benefits paid		(7,868)	(7,803)
Directors' remuneration paid		(140)	(140)
Net cash flows generated from operating activities		98,075	55,329
INVESTING ACTIVITIES			
Net movement in financial assets at fair value through profit or loss		427	1,377
Net movement in financial assets at fair value through other comprehensive income		(787)	(2,002)
Additions to property, plant and equipment		(36,153)	(30,457)
Proceeds from disposal of property plant and equipment		525	291
Loan to a related party	10	(36,707)	(10,750)
Additions to intangible assets		(328)	-
Additions to projects in progress		(15,164)	(15,510)
Additions to investment properties		(1,000)	(2,684)
Dividends received from an associate		2,186	1,771
Deferred consideration paid in respect of prior period acquisition		-	(606)
Acquisition of additional interest in a subsidiary		(212)	(275)
Acquisition of subsidiaries net of cash acquired		(1,665)	-
Interest income received		883	610
Net movement in other non-current assets		(91)	-
Net movement in deposits with original maturities exceeding three months		(52)	-
Net cash flows used in investing activities		(88,138)	(58,235)
FINANCING ACTIVITIES			
Net movement in interest bearing loans		50,268	28,060
Payment of lease obligations	3	(26,305)	-
Finance cost paid		(13,281)	(11,213)
Dividends paid to equity holders of the Parent Company		(21,619)	(18,779)
Dividends paid to non-controlling interests		(12,636)	(11,684)
Additional share capital issued by a subsidiary		260	414
Net cash flows used in financing activities		(23,313)	(13,202)
Net foreign exchange differences		(413)	(707)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(13,789)	(16,815)
Cash and cash equivalents at 1 January		125,927	125,690
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	112,138	108,875

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2019 (Unaudited)

	<i>Attributable to equity holders of the Parent Company</i>												
	<i>Share capital KD 000's</i>	<i>Share premium KD 000's</i>	<i>Statutory reserve KD 000's</i>	<i>Treasury shares KD 000's</i>	<i>Treasury shares reserve KD 000's</i>	<i>Foreign currency translation reserve KD 000's</i>	<i>Hedging reserve KD 000's</i>	<i>Investment revaluation reserve KD 000's</i>	<i>Other reserves KD 000's</i>	<i>Retained earnings KD 000's</i>	<i>Sub total KD 000's</i>	<i>Non-controlling interests KD 000's</i>	<i>Total equity 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	-	-	-	-	-	-	-	-	-	63,574	63,574	12,483	76,057
Other comprehensive loss	-	-	-	-	-	(2,735)	(1,614)	-	-	-	(4,349)	80	(4,269)
Total comprehensive (loss) income for the period	-	-	-	-	-	(2,735)	(1,614)	-	-	63,574	59,225	12,563	71,788
Dividends (Note 11)	-	-	-	-	-	-	-	-	-	(21,704)	(21,704)	-	(21,704)
Issue of bonus shares (Note 11)	22,995	-	-	-	-	-	-	-	-	(22,995)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(12,636)	(12,636)
Issue of share capital by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	260	260
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	(974)	-	(974)	203	(771)
As at 30 September 2019	176,294	152,650	76,279	(49,239)	44,366	(41,163)	(20,511)	351	(25,822)	736,881	1,050,086	53,085	1,103,171
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	-	(2,406)	-	(6,395)	(8,468)	(80)	(8,548)
As at 1 January 2018 (restated)	133,303	152,650	67,781	(49,239)	44,366	(28,442)	(17,542)	(126)	(24,423)	687,009	965,337	49,707	1,015,044
Profit for the period	-	-	-	-	-	-	-	-	-	58,898	58,898	13,111	72,009
Other comprehensive loss	-	-	-	-	-	(9,520)	(441)	(211)	-	-	(10,172)	(1,988)	(12,160)
Total comprehensive (loss) income for the period	-	-	-	-	-	(9,520)	(441)	(211)	-	58,898	48,726	11,123	59,849
Dividends (Note 11)	-	-	-	-	-	-	-	-	-	(18,873)	(18,873)	-	(18,873)
Issue of bonus shares (Note 11)	19,996	-	-	-	-	-	-	-	-	(19,996)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(11,684)	(11,684)
Issue of share capital by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	414	414
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	587	-	587	(628)	(41)
As at 30 September 2018	153,299	152,650	67,781	(49,239)	44,366	(37,962)	(17,983)	(337)	(23,836)	707,038	995,777	48,932	1,044,709

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at and for the period ended 30 September 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 13 November 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 30 September 2019 (Unaudited)

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

IFRS 16: Leases (continued)

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

a) Nature of the effect of adoption of IFRS 16

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

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

The effect of adoption of IFRS 16 is as follows:

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

	<i>KD 000's</i>
Assets	
Right-of-use assets	175,896
Property, plant and equipment	(64,725)
Other non-current assets	(2,400)
	<hr/>
Total assets	108,771
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Liabilities	
Lease liabilities	161,939
Interest bearing loans	(49,105)
Other non-current liabilities	(2,084)
Other current liabilities	(1,979)
	<hr/>
Total liabilities	108,771
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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 30 September 2019 (Unaudited)

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

IFRS 16: Leases (continued)

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

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

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

b) Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

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As at and for the period ended 30 September 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</i>	<i>Tools, machinery and equipment</i>	<i>Motor vehicles</i>	<i>Furniture and office equipment</i>	<i>Total</i>	<i>Lease liabilities</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
At 1 January 2019	107,259	4,665	62,897	1,075	175,896	161,939
Additions	2,979	290	-	6	3,275	2,776
Depreciation	(16,431)	(1,120)	(2,776)	(317)	(20,644)	-
Finance cost	-	-	-	-	-	6,140
Payments	-	-	-	-	-	(26,305)
Exchange differences	(1,469)	19	(499)	1	(1,948)	(1,845)
At 30 September 2019	92,338	3,854	59,622	765	156,579	142,705
Current portion						27,365
Non-current portion						115,340
						142,705

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 4,084 thousand related to service concession arrangements recognised as intangible assets.

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

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

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

IFRS 16: Leases (continued)

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

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

	<i>Nine months ended 30 September 2019 KD 000's</i>
Depreciation expense of right-of-use assets	(20,644)
Finance cost on lease liabilities	(6,140)
Rent expense – Short-term and low-value assets leases	(6,018)

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>(Audited)</i>		
	<i>30 September 2019 KD 000's</i>	<i>31 December 2018 KD 000's</i>	<i>30 September 2018 KD 000's</i>
Investment in an associate - outside Kuwait	109,490	109,246	108,988
Unquoted equity securities - in Kuwait	106	106	106
Investment in funds - outside Kuwait	3,455	3,479	3,800
	113,051	112,831	112,894

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

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

As at 30 September 2019, interest bearing loan provided by the Group to Korek Telecom amounted to KD 35,358 thousand (31 December 2018: KD 35,321 thousand and 30 September 2018: KD 35,238 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.

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

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

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

Korek Litigation (continued)

The Group's memorial was submitted on 30 April 2018. On 6 August 2018, Iraq submitted objections to jurisdiction and requested that they be determined as a preliminary matter before the case proceeds further on the merits. The tribunal bifurcated the proceedings on 31 October 2018 and the Group submitted its counter-memorial on jurisdiction on 10 January 2019. The reply of the respondents was submitted on 25 February 2019 and the Group's rejoinder was submitted on 21 March 2019. The hearings were held on 24 and 25 April 2019. On 9 July 2019, the tribunal issued its decision on jurisdiction in which it found that it had jurisdiction over certain (but not all) of the Group's claims. The hearing on the merits is now expected to be held in the third quarter of 2020. As the dispute remains pending without legal resolution and in the absence of clarity, the financial impact of this case may not be assessed.

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

- *Share Subscription Agreement Arbitration*
On 29 June 2017, IT Ltd. commenced ICC arbitration proceedings against Korek International (Management) Ltd. ("CS Ltd.") and Mr. Sirwan Saber Mustafa. The dispute is in relation to the monies owed by CS Ltd. and guaranteed by Mr. Sirwan Saber Mustafa under a subscription agreement relating to the Group's investment in Korek Telecom. The amount in dispute is approximately USD 75 million (excluding interest). The tribunal was constituted on 2 February 2018, with terms of reference and a procedural timetable to be issued by the tribunal in due course.

IT Ltd.'s statement of claim was submitted on 17 May 2018 and the respondents' statement of defense was submitted on 12 September 2018. IT Ltd. submitted its reply on 8 March 2019 and the respondents submitted their rejoinder on 3 May 2019. The hearings were held on 16 and 17 September 2019 and a final award is expected in November 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. IT Ltd.'s Statement of Claim was submitted on 28 August 2019 and CS Ltd.'s Statement of Defense is due on 11 December 2019. The hearings are scheduled to be held in early 2021.
- *IBL Subordination Agreement Arbitration*
Arbitration proceedings against IBL Bank SAL, Korek Telecom and International Holdings Ltd. The dispute is in relation to alleged fraud orchestrated by certain Korek Telecom stakeholders with the knowledge and cooperation of IBL Bank in connection with a subordination agreement relating to a USD 150 million loan extended by IBL Bank to Korek Telecom. The amount in dispute is to be determined during the course of the proceedings. The request for arbitration was submitted on 26 June 2018, and the respondents' reply and counter-claim was submitted on 8 October 2018. The counterclaim seeks damages for losses (still unquantified) allegedly suffered by the respondents in relation to their reputation and good standing. IBL's answer and counterclaim was submitted on 8 November 2018. Korek's and IH's answer was submitted on 14 December 2018. The tribunal was constituted on 15 May 2019. IT Ltd.'s Statement of Claim is due on 22 November 2019, and respondents' Statement of Defense is due on 21 February 2020. The hearings are scheduled for November and December 2020.

Agility Public Warehousing Company K.S.C.P. and Subsidiaries
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As at and for the period ended 30 September 2019 (Unaudited)

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

Korek Litigation (continued)

• *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 Aqrabi, Nozad Jundi and Raymond Zina Rahmeh. The claim alleges breach of the defendants’ duties as directors of International Holdings. IT Ltd. is in the process of effecting service of the claims in Lebanon and Iraq.

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.

Consequently, as result of the ongoing litigation relating to Korek, the Group’s management was unable to determine the fair value of this investment and the recoverability of interest bearing loan as at 30 September 2019, 31 December 2018 and 30 September 2018. Accordingly, the investment is carried at its fair value as at 31 December 2013 of USD 359 million equivalent to KD 109,490 thousand (31 December 2018: KD 109,246 thousand and 30 September 2018: KD 108,988 thousand).

5 BANK BALANCES AND CASH

	30 September 2019	<i>(Audited)</i> 31 December 2018	30 September 2018
	KD 000’s	KD 000’s	KD 000’s
Cash at banks and in hand	81,700	76,852	64,742
Short term deposits	30,438	49,075	44,133
Cash and cash equivalents	112,138	125,927	108,875
Deposits with original maturities exceeding 3 months	52	-	-
	112,190	125,927	108,875

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

6 TREASURY SHARES

	30 September 2019	<i>(Audited)</i> 31 December 2018	30 September 2018
Number of treasury shares	98,978,642	86,062,497	86,062,497
Percentage of issued shares	5.61%	5.61%	5.61%
Market value in KD 000’s	71,166	69,022	72,292

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

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	2019	2018	2019	2018
	KD 000's	KD 000's	KD 000's	KD 000's
National labour support tax (NLST)	567	524	1,664	1,542
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	228	209	666	617
Zakat	228	209	666	617
Taxation on overseas subsidiaries	1,152	2,420	5,772	5,987
	2,175	3,362	8,768	8,763

8 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	2019	2018	2019	2018
	KD 000's	KD 000's	KD 000's	KD 000's
		<i>(Restated)*</i>		<i>(Restated)*</i>
Profit for the period attributable to equity holders of the Parent Company	21,680	20,001	63,574	58,898
Weighted average number of paid up shares	Shares 1,762,930,558	<i>Shares</i> 1,762,930,558	Shares 1,762,930,558	<i>Shares</i> 1,762,930,558
Weighted average number of treasury shares	(98,978,642)	(98,978,642)	(98,978,642)	(98,978,642)
Weighted average number of outstanding shares	1,663,951,916	1,663,951,916	1,663,951,916	1,663,951,916
Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)	13.03	12.02	38.21	35.40

* 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>30 September</i> 2019	<i>(Audited)</i> <i>31 December</i> 2018	<i>30 September</i> 2018
	KD 000's	KD 000's	KD 000's
Letters of guarantee	159,847	127,107	126,807
Operating lease commitments	2,992	132,014	102,590
Capital commitments *	70,682	108,417	106,831
	233,521	367,538	336,228

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Included in letters of guarantee are bank guarantees of KD 30,650 thousand (31 December 2018: KD 30,751 thousand and 30 September 2018: KD 30,751 thousand), provided by a bank on behalf of the subsidiary, Global Clearing House Systems K.S.C. (Closed), to the General Administration of Customs in the State of Kuwait. These guarantees are issued by the bank on a non-recourse basis to the Group.

* The Group (Parent Company along with its subsidiary UPAC) and a related party are part of an arrangement to construct and develop a commercial mall in UAE ("project). The Group currently has an equity interest of 19.87% (31 December 2018: 19.87% and 30 September 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 50,865 thousand as on 30 September 2019 (31 December 2018: KD 87,232 thousand and 30 September 2018: KD 90,193 thousand). In addition to the above, the Parent Company has also provided corporate guarantees for the project amounting to KD 67,641 thousand (31 December 2018: KD 57,976 thousand and 30 September 2018: KD 63,700 thousand) and an undertaking for the completion of the mall within an agreed timeframe.

Legal claims

(a) PCO Contract

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

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

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

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

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

On 21 September 2018, the Parent Company filed an amended complaint in the DDKS Matter. On 3 December 2018, the Parent Company filed a Motion for Judgment on the Pleadings, as well as a motion to consolidate the DDKS matter with the still-pending COFC matter described above. On 6 December 2018, the court granted the Parent Company's motion to consolidate. On 17 December 2018, the US Government filed a Motion to Dismiss in the DDKS matter. On 28 December 2018, the Parent Company filed its reply to the US Government's motion. The reply of the US Government was filed on 14 February 2019 and a hearing was held on 28 February 2019. On 9 May 2019, the Court of Federal Claims issued an opinion granting judgment for the US Government in the amended PCO complaint and dismissed the DDKS Matter for lack of jurisdiction. The Parent Company appealed both decisions to the Federal Circuit on 14 May 2019, which the court then consolidated. The briefing of the appeal was completed on 16 September 2019, and the oral argument will be scheduled late this year or in the first half of 2020.

Agility Public Warehousing Company K.S.C.P. and Subsidiaries
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9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(a) PCO Contract (continued)

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) ("Global Clearing 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.

Global Clearing Company appealed the above resolution at the Court of First Instance and the latter issued its judgment in favour of Global Clearing 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.

Global Clearing 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 Global Clearing 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, Global Clearing Company filed its defence and the court adjourned the hearing until 13 February 2019 for the submission of comments by the Customs. During this hearing, the Customs' representative requested and was granted an extension until 6 March 2019. The case was reserved for the judgment on 1 May 2019 which was then postponed until 26 June 2019. Furthermore, the pronouncement of the judgment was extended until the hearing scheduled on 25 September 2019 during which, the court of cassation resolved to transfer the case to the Experts' Department.

Global Clearing 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 Global Clearing Company. The Court of Appeal issued its judgment in favour of Global Clearing 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 Global Clearing Company and GAC. Both the parties have filed various claims and counter claims that are currently pending in the courts. The Group's in-house counsel believes that these matters will not have a material adverse effect on the Group's interim condensed consolidated financial information.

(c) Contract No. 157 on Phases 1 and 2 and 3 for the South Amghara Plot

Investment properties include a property with a carrying value of KD 28,881 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 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 considered a 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.

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

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9 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(c) Contract No. 157 on Phases 1 and 2 and 3 for the South Amghara Plot (continued)

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

On 14 July 2019, the Court of Appeal issued a decision to suspend the expedited enforcement proceedings with regard to the above judgment and postponed the hearing until 17 November 2019.

The Parent Company also filed a formal objection to suspend the execution of the above judgment under formal objection No. 314 / 2019 until the disposal of the above-mentioned appeal. On 2 September 2019, a decision was issued in respect of the above objection thereby staying the enforcement proceedings subject of judgment No. 314/2019. PAI has subsequently appealed the decision and a hearing is now scheduled on 17 November 2019.

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.

On 1 August 2018, KGL appealed the summary judgment to the Pennsylvania Superior Court. KGL filed its opening brief on 8 November 2018. The Group filed its response on 20 December 2018. KGL filed its reply on 17 January 2019 and its appendix for the appeal on 12 February 2019. The Parent Company filed its finalized brief on 25 February 2019, and KGL filed its finalized brief on 26 February 2019.

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

On 15 May 2019, the Superior Court scheduled oral argument in the appeal. The court heard oral argument on 26 June 2019. On 1 August 2019, the Superior Court issued a decision rejecting KGL's appeal. On 3 September 2019, KGL filed a petition for allowance to appeal in the Pennsylvania Supreme Court, requesting that the Supreme Court review the Superior Court's decision. The Parent Company filed its answer to the petition on 17 September 2019. The Supreme Court has not yet ruled on the petition.

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.

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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:

			Nine months ended 30 September	
	Major shareholders KD 000's	Other related parties KD 000's	2019 Total KD 000's	2018 Total KD 000's
Interim condensed consolidated statement of income				
Revenues	63	1,736	1,799	667
General and administrative expenses	(39)	(332)	(371)	(310)
Interest income	4,972	-	4,972	2,538
Finance costs	-	(62)	(62)	(60)
			(Audited)	
	Major shareholders KD 000's	Other related parties KD 000's	30 September 2019 Total KD 000's	31 December 2018 Total KD 000's
Interim condensed consolidated statement of financial position				
Investment in associates and joint ventures	30,380	70,204	100,584	101,228
Financial assets at fair value through profit or loss	-	109,490	109,490	109,246
Amounts due from related parties	63	2,886	2,949	2,192
Loan to a related party	-	83,109	83,109	42,054
Loan to an associate (Note 4)	-	35,358	35,358	35,321
Amounts due to related parties	193	6,108	6,301	8,542
				11,083

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

The loan to a related party amounting to KD 83,109 thousand (31 December 2018: KD 42,054 thousand and 30 September 2018: KD 43,100 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>Nine months ended</i> <i>30 September</i>	
	2019 KD 000's	2018 <i>KD 000's</i>
Short-term benefits	1,268	1,305

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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.

	<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>
Nine months ended 30 September 2019				
Revenues				
External customers	841,452	334,302	-	1,175,754
Inter-segment	434	11,207	(11,641)	-
Total revenues	841,886	345,509	(11,641)	1,175,754
Segments results				76,057
	<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>
Nine months ended 30 September 2018				
Revenues				
External customers	858,409	292,003	-	1,150,412
Inter-segment	1,142	9,841	(10,983)	-
Total revenues	859,551	301,844	(10,983)	1,150,412
Segments results				72,009

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 September 2019, 31 December 2018 and 30 September 2018.

	<i>Logistics and related services KD 000's</i>	<i>Infrastructure KD 000's</i>	<i>Adjustments and eliminations KD 000's</i>	<i>Total KD 000's</i>
As at 30 September 2019				
Total assets	824,654	1,275,920	(104,649)	1,995,925
Total liabilities	372,395	1,040,650	(520,291)	892,754
As at 31 December 2018				
Total assets	761,503	1,172,686	(91,030)	1,843,159
Total liabilities	465,210	936,541	(624,826)	776,925
As at 30 September 2018				
Total assets	756,182	1,136,488	(86,672)	1,805,998
Total liabilities	314,543	904,651	(457,905)	761,289

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

12 OPERATING SEGMENT INFORMATION (continued)

Disaggregated revenue information

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

30 September 2019	<i>Logistics revenue KD 000's</i>	<i>Freight forwarding and project forwarding revenues KD 000's</i>	<i>Rental revenues KD 000's</i>	<i>Other services KD 000's</i>	Total KD 000's
<i>Timing of revenue recognition</i>					
Services performed at a point in time	95,315	33,891	-	189,442	318,648
Services performed over time	55,506	748,843	52,757	-	857,106
Total revenue from contracts with customers	150,821	782,734	52,757	189,442	1,175,754

30 September 2018	<i>Logistics revenue KD 000's</i>	<i>Freight forwarding and project forwarding revenues KD 000's</i>	<i>Rental revenues KD 000's</i>	<i>Other services KD 000's</i>	Total KD 000's
<i>Timing of revenue recognition</i>					
Services performed at a point in time	93,596	30,073	-	160,055	283,724
Services performed over time	60,193	760,046	46,449	-	866,688
Total revenue from contracts with customers	153,789	790,119	46,449	160,055	1,150,412

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Determination of fair value and fair value hierarchy:

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

- Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	<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>
30 September 2019			
<i>Financial assets measured at fair value through profit or loss</i>			
Investment in an associate	-	109,490	109,490
Equity securities	-	106	106
Investment in funds	3,455	-	3,455
Loan to a related party	-	83,109	83,109
Loan to an associate	-	35,358	35,358
	<u>3,455</u>	<u>228,063</u>	<u>231,518</u>
<i>Financial assets measured at fair value through other comprehensive income</i>			
Equity securities	-	15,946	15,946
<i>Derivative financial assets</i>			
Forward foreign exchange contracts	(120)	-	(120)
Interest rate swaps	(216)	-	(216)
	<u>(336)</u>	<u>-</u>	<u>(336)</u>
	<u>3,119</u>	<u>244,009</u>	<u>247,128</u>
31 December 2018			
<i>Financial assets measured at fair value through profit or loss</i>			
Investment in an associate	-	109,246	109,246
Equity securities	-	106	106
Investment in funds	3,479	-	3,479
Loan to a related party	-	42,054	42,054
Loan to an associate	-	35,321	35,321
	<u>3,479</u>	<u>186,727</u>	<u>190,206</u>
<i>Financial assets measured at fair value through other comprehensive income</i>			
Equity securities	-	15,150	15,150
<i>Derivative financial assets</i>			
Forward foreign exchange contracts	190	-	190
Interest rate swaps	250	-	250
	<u>440</u>	<u>-</u>	<u>440</u>
	<u>3,919</u>	<u>201,877</u>	<u>205,796</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 2 KD'000</i>	<i>Level 3 KD'000</i>	<i>Total fair value KD'000</i>
30 September 2018			
<i>Financial assets measured at fair value through profit or loss</i>			
Investment in an associate	-	108,988	108,988
Equity securities	-	106	106
Investment in funds	3,800	-	3,800
Loan to a related party	-	74,603	74,603
Loan to an associate	-	35,238	35,238
	<u>3,800</u>	<u>218,935</u>	<u>222,735</u>
<i>Financial assets measured at fair value through other comprehensive income</i>			
Equity securities	-	14,597	14,597
<i>Derivative financial assets</i>			
Forward foreign exchange contracts	(73)	-	(73)
Interest rate swaps	502	-	502
	<u>429</u>	<u>-</u>	<u>429</u>
	<u>4,229</u>	<u>233,532</u>	<u>237,761</u>

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

The Group's management was unable to determine the fair value of the investment in an associate and the recoverability of interest bearing loan as at 30 September 2019, 31 December 2018 and 30 September 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>30 September 2019 KD'000</i>	<i>(Audited) 31 December 2018 KD'000</i>	<i>30 September 2018 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>
Change in fair value recognised in consolidated statement of income	114	579	184
Re-measurement recognised in consolidated statement of comprehensive income	-	477	(211)
Others including net purchases (sales) and transfer	42,018	(17,006)	15,732
As at the reporting date	<u>244,009</u>	<u>201,877</u>	<u>233,532</u>