

[Annual Report 99]



Freight, Customs Clearance & Distribution Third Party e-Commerce Solutions Warehousing, Trade Finance & Value Added Services Professional Services & External Facilities Management Public Warehousing & Open Storage

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شركة المخازن العمومية ش.م.ك.
The Public Warehousing Company KSC

The Public Warehousing Company intends to become a leading facilitator of commerce and commerce-related logistics through the development of high quality and innovative services which create added value for our customers.



*His highness the Amir of the State
of Kuwait, Sheikh Jaber Al-Ahmed
Al-Jaber Al-Sabah*



*The Crown Prince and Prime
Minister, Sheikh Saad Al-Abdullah
Al-Salem Al-Sabah*

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Board of Directors

Tarek Abdulaziz Sultan Al-Essa
Chairman & Managing Director

Omran Habib Jowhar Hayat
Vice Chairman

Jamil Sultan Al-Essa
Board Member

Saleh Ali Al-Qadi
Board Member

Ayman Bader Sultan
Board Member

Salah Yousif Al-Nafeesi
Board Member

Nasser Mohammed Al-Rashed
Board Member

General Management

Tarek Abdulaziz Sultan Al-Essa
Chairman & Managing Director

Ahmed A. Abdul-Aziz
Director - Legal

Bassam S. Khoury
Chief Financial Officer

Charles T. Switzer
Organizational Development Specialist

Essa A. Al-Saleh
Director - Business Development

Ibrahim Al-Quadomi
Director - Freight Forwarding Department

Ismail Hassan Mazloun
Director - Trade Finance

Jarrah D. Al-Jarrah
Director - Logistics Services

Jassim H. Al-Hussayan
Director - Engineering

Khalil I. Al-Awadi
Director - Property Management

Mohammed H. Al-Kandari
Director - Human Resources
Director - Information Technology

Mohammed Ghassan Farra
Director - Strategic Business Solutions

Chairman's Message & Report

On behalf of the Board of Directors, I would like to welcome you to our Company's 19th General Assembly meeting.

As alluded to in last year's report, our Company intends to become a leading facilitator of commerce and commerce-related logistics through the development of high quality and innovative services that create value for our customers. To this end, and while achieving record levels of profitability in our core business, our company has launched a number of new initiatives that will hopefully contribute to our growth in the foreseeable future:



S u p p l y C h a i n M a n a g e m e n t

The Public Warehousing Company (PWC) offers an unrivalled freight, transport and distribution service for import, export and re-export by land, sea or air in any quantity, to and from anywhere in the world through a diversified fleet capable of meeting all of your demands.

PWC offers on-site clearance services which provide, in addition to the bonded warehousing services, the ability to defer or not pay customs duty until goods are delivered or re-exported. All of this will be done in a professional, controlled environment that minimizes losses. Through the Third Party Warehousing, PWC guarantees the elimination of fixed costs by providing variable cost solutions. This translates into only paying for the services you use. PWC provides this unique service by investing in the latest technology and

methods and offering them to our clients at reasonable rates.

After investing so long in experience and distinguished customer services, PWC now provides full logistics support through a multitude of value-added services, such as real-time, on-line access to the inventory through the Internet using the EXceed warehouse management system. Our Trade Finance services allows customers to convert their stocks to cash, giving their business the boost it needs.

To complete our comprehensive services, PWC implemented a total e-commerce infrastructure capable of meeting the client's demands to achieve an e-commerce solution, from web site development to warehousing, order processing, delivery and on-line payments.

- PWC commenced operations of a world class state-of-the-art 20,000 square meter logistics center that will serve as a platform for growing our third party supply chain and e-commerce businesses.
- As expected with any new operation, utilization rates were slow to develop. However, as of today, I am pleased to announce that over 70% of our state of the art facility is committed, and given the healthy pipeline of business prospects, plans are underway to increase our existing capacity by 200%.
- PWC's logistics facilities and associated IT infrastructure give our customers the ability to plug into our growing infrastructure of e-commerce related capabilities including the following:

PWC has entered into partnership with Egulf (Netlife of Germany and other shareholders) to develop end to end e-commerce solutions.

PWC is developing a complete e-commerce payment infrastructure in coordination with the National Bank of Kuwait.

PWC will launch an internet-based international and home delivery service by the third quarter of this year that will give our customers the ability to sell and deliver products door to door world wide.

PWC is exploring various partnerships with established companies so as to facilitate business to business e-commerce opportunities for our clients. These partnerships involve internationally known companies including Microsoft, EXE Technologies and Oracle.



PWC secured municipality approval to increase the commercial space of the Al-Khaimah Shopping Mall, thereby improving the expected profitability of the project. The project will commence operations in May 2000

- PWC secured municipality approval to increase the commercial space of the Jahra-based Al-Khaimah Shopping Mall Project, thereby improving the expected profitability of the project. The project will commence operations in May 2000.
- PWC acquired a 53% stake in Inspection & Control Services (ICS) company on June 23, 1999. ICS is a company that specializes in third party customs and related information technology services. Recently, the equity of ICS has been valued by a leading Wall Street-based investment bank at a premium of 100% - 200% of its acquisition cost. Efforts are underway to realize this value on behalf of our shareholders.
- During fiscal year 1999, PWC initiated a number of turnkey logistics projects for its growing list of corporate customers including Americana and McDonalds. The business of providing turnkey tailor-made logistics solutions is a business that appears poised for growth in 2000, as evidenced by our company's growing expertise in this regard.



N e t w o r k S u p p o r t S e r v i c e s

Through a team of professional managers and operational experts with unique expertise, PWC provides the External Facilities Management Service for the vital and strategic projects of the Public and the Private sectors. The Land Customs Clearance site, Subhan Industrial Park and the Jahra Industrial Site and other projects managed by PWC are outstanding examples of our success in this critical domain. Another service unique to PWC is the Land Lease Utilization, which allows the clients to

transform their land and real estate into profit-generating solutions supplied with complete infrastructure and ideal locations convenient and relevant to the nature of the client's fields of operation. PWC can also provide turnkey solutions for those wishing to remain independent. By supplying on site service and labor assistance as needed, PWC allows companies to completely manage and operate their own inventory using their own transport and staff.



K h a i m a M a l l

Within the framework of striving to provide all that is new to Kuwait and the region, PWC proudly introduces its mega commercial project; “Khaima Mall” in Al-Jahra.

“Khaima Mall” includes fish, meat, vegetables and fruit markets in addition to a huge supermarket, bank and a large variety of department stores, shops, cafés, luxurious and fast food restaurants as well as countless entertainment choices.

“Khaima Mall” is not only a new commercial center but rather a comprehensive project where shoppers and visitors alike will find their demands under one roof.

We at PWC are confident the “Khaima Mall” will become, as soon as it is open for the public, a remarkable presence in the region. The site, which features traditional Arabic architectural elements, is sure to introduce a new and unique developmental and commercial experience to Kuwait.

- **The company launched ambitious efforts to transform non-income producing assets into productive assets and substantial progress has been made in this regard in our various land lease properties.**

As far as financial measures of performance are concerned, PWC continues to enjoy robust profitability as evidenced by KD 5,760,907 of net profit recorded in 1999, details of which include the following:

- **Despite a deterioration in the regional and local business environments, PWC experienced record operating results on a site to site basis as evidenced by a comparable site to site increase in revenues of KD 165,000/-, an increase of approximately 2.1% versus fiscal year 1998's results.**
- **The decline in overall net income from fiscal year 1998 can be attributed to the development and start-up requirements of our logistics operations, as well as the declining cash investment balances attributed to the funding of our ambitious capital expenditure program.**
- **Many of our new projects will begin showing revenue and profitability this year.**



PWC commenced operations of a world class state-of-art 20,000 square meter logistics center that will serve as a platform for growing our third party supply chain and e-commerce businesses

The Board of Directors of our company proposes a cash dividend distribution equivalent to KD 6,358,414, or alternatively, 20 fils per share. Finally, I would like to take this opportunity to thank the Company's employees and its board members for their significant accomplishments and overall commitment to the success of the company.

Chairman of the Board

Shareholder Services Department

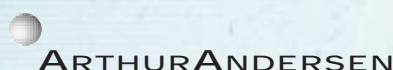
Address	Shareholder Services Department National Real Estate Company ksc Boubyan Center, Al-Dhajej
Mailing Address	Shareholder Services Department P.O. Box 22644 Safat 13087, Kuwait
Telephone	+965 431-5855 x225
Fax	+965 431-5835
Email	investor@pwc.com.kw

Financial Statements

for the year ended December 31, 1999
and Auditors' Report

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A U D I T O R S ' R E P O R T



Arthur Andersen Al-Bazie & Co.

The Shareholders
Public Warehousing Company - K.S.C.
State of Kuwait

A I - W a h a
Auditing Office




Ali Owayid Rkhayis
Member of the International Accounting Group

We have audited the accompanying balance sheet of the Public Warehousing Company - K.S.C. as of December 31, 1999 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.


The audit was conducted in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that the audit conducted provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Warehousing Company - K.S.C. as of December 31, 1999, and the results of its operations, changes in shareholders' equity and its cash flows for the year then ended in conformity with International Accounting Standards.

Also, in our opinion, the financial statements include the disclosures required by the Commercial Companies Law and the Company's Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice and the accounting information given in the Directors' Report is in agreement with the Company's books of account. According to the information available to us, there were no contraventions during the year of either the Commercial Companies Law or of the Company's Articles of Association which might have materially affected the Company's financial position or results of its operations.



Dr. Shuaib A. Shuaib
Licence No. 33 "A"
Member of Andersen Worldwide



Ali Owayid Rkhayis
Licence No. 72 "A"
Member of the
International Accounting Group

State of Kuwait: 28 February 2000

Exhibit A

B A L A N C E S H E E T

as of December 31, 1999

	Note	1999 KD	1998 KD (Restated)
ASSETS			
Current assets:			
Cash and cash equivalents		1,471,710	3,016,531
Fixed deposits	3	10,000,000	28,000,000
Accrued interest		736,353	2,131,549
Accounts receivable, net	4	668,438	875,678
Notes receivable		264,483	283,584
Short-term investments	5	525,082	525,082
Other current assets	6	815,132	642,874
Total current assets		<u>14,481,198</u>	<u>35,475,298</u>
Investment in an unconsolidated subsidiary	7	8,203,171	-
Other long-term investments	8	1,306,409	612,409
Fixed assets	9	15,131,260	8,841,208
Projects in progress	10	8,349,995	6,468,807
		<u>47,472,033</u>	<u>51,397,722</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		763,613	1,032,968
Other current liabilities	11	2,631,849	2,706,683
Dividends payable		1,137,382	660,612
Total current liabilities		<u>4,532,844</u>	<u>4,400,263</u>
Provision for end of service indemnity		250,976	206,054
Shareholders' equity			
Share capital	12	32,320,572	32,320,572
Statutory reserve	13	5,391,337	4,801,122
Treasury Stock	14	(1,453,330)	(1,135,320)
Retained earnings		<u>6,429,634</u>	<u>10,805,031</u>
Total shareholders' equity(Exhibit C)		<u>42,688,213</u>	<u>46,791,405</u>
		<u>47,472,033</u>	<u>51,397,722</u>

Tarek Abdul Aziz Sultan Al-Essa
Chairman and Managing Director

The accompanying notes are an integral part of the financial statements.

Exhibit B

S T A T E M E N T O F I N C O M E

for the year ended December 31, 1999

	Note	1999 KD	1998 KD (Restated)
Revenues from operations	15	8,501,890	8,237,386
Costs of operations		(3,110,374)	(2,034,150)
Gross profit from operations		5,391,516	6,203,236
General and administrative expenses		(1,092,814)	(1,156,500)
Depreciation		(84,704)	(35,859)
Profit from operations		4,213,998	5,010,877
Interest income		1,356,260	2,352,123
Investment income		65,710	131,880
Gain on sale of investments		-	91,940
Gain on sale of fixed assets		12,320	8,121
Management fees	16	97,131	111,210
Recovery of provision for doubtful receivables		-	700,000
Other income		156,727	112,086
Provision for decline in investment values		-	(79,541)
Loss on sale of investments		-	(139,693)
Other expenses		-	(35,118)
Profit for the year		5,902,146	8,263,885
Less: Share of Kuwait Foundation for the Advancement of Sciences		(106,239)	(143,764)
Directors' remuneration		(35,000)	(35,000)
Net profit for the year		5,760,907	8,085,121
Earnings per share	17	18 Fils	25 Fils

The accompanying notes are an integral part of the financial statements.

Statement of Changes in

Exhibit C

SHAREHOLDERS' EQUITY

for the year ended December 31, 1999

	Share capital (Note 12) KD	Statutory reserve (Note 13) KD	Voluntary reserve KD	Treasury stock (Note 14) KD	Retained earnings KD	Total KD
Balance, December 31, 1997 as previously reported	32,320,572	4,002,431	2,932,202	-	586,399	39,841,604
Effect of change in accounting policy (Note 21)	-	-	-	-	2,693,381	2,693,381
Effect of change in accounting policy (Note 22)	-	-	-	(1,135,320)	-	(1,135,320)
Restated balance at Dec' 31, 1997	32,320,572	4,002,431	2,932,202	(1,135,320)	3,279,780	41,399,665
Cash dividends 1997	-	-	-	-	(2,693,381)	(2,693,381)
Restated net profit for the year	-	-	-	-	8,085,121	8,085,121
Transfer of the voluntary reserve	-	-	(2,932,202)	-	2,932,202	-
Statutory reserve	-	798,691	-	-	(798,691)	-
Restated balance at Dec'31, 1998	32,320,572	4,801,122	-	(1,135,320)	10,805,031	46,791,405
Cash dividends 1998	-	-	-	-	(9,537,621)	(9,537,621)
Net profit for the year	-	-	-	-	5,760,907	5,760,907
Statutory reserve	-	590,215	-	-	(590,215)	-
Purchase of treasury stock	-	-	-	(373,410)	-	(373,410)
Sale of treasury stock	-	-	-	55,400	(8,468)	46,932
Balance at December 31, 1999	32,320,572	5,391,337	-	(1,453,330)	6,429,634	42,688,213

The accompanying notes are an integral part of the financial statements.

Exhibit D

STATEMENT OF CASH FLOWS

for the year ended December 31, 1999

	1999	1998
	KD	KD
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	5,902,146	8,263,885
Adjustments:		
Depreciation	1,310,913	969,784
Recovery of provisions for doubtful receivables	-	(700,000)
Gain on sale of investments	-	(91,940)
Loss on sale of investments	-	139,693
Investment income	(65,710)	(131,880)
Provision for decline in value of investments	-	79,541
Amortization of work in progress	-	29,393
Provision for staff indemnity	44,922	48,969
Gain on sale of fixed asset	(12,320)	(8,121)
Operating income before changes in operating assets and liabilities	7,179,951	8,599,324
Accrued income	1,395,196	(1,966,682)
Accounts receivable	207,240	243,949
Notes receivable	19,101	213,714
Other current assets	(172,258)	(444,050)
Accounts payable	(357,441)	346,889
Other current liabilities	138,981	209,061
Payments to Kuwait Foundation for the Advancement of Sciences	(582,390)	-
Remuneration paid to board members	(35,000)	(35,000)
Net cash generated from operating activities	7,793,380	7,167,205
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for fixed deposit	(10,000,000)	(28,000,000)
Matured fixed deposits	28,000,000	28,000,000
(Purchase of) proceeds from investments	(628,290)	4,517,677
Cash paid for investment in a subsidiary	(8,203,171)	-
Cash paid for purchases of fixed assets	(208,794)	(112,196)
Proceeds from sale of fixed assets	12,320	35,268
Projects in progress	(8,922,937)	(5,705,144)
Net cash generated from (used in) investing activities	49,128	(1,264,395)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash paid for purchase of treasury stock	(373,410)	(644,770)
Proceeds from sale of treasury stock	46,932	-
Cash dividends paid to shareholders	(9,060,851)	(2,579,515)
Net cash used in financing activities	(9,387,329)	(3,224,285)
(Decrease) increase in cash and cash equivalents	(1,544,821)	2,678,525
Cash and cash equivalents, beginning of year	3,016,531	338,006
Cash and cash equivalents, end of year	1,471,710	3,016,531
SUPPLEMENTAL INFORMATION OF CASH FLOW ACTIVITIES:		
Interest received	2,751,456	385,441
NON-CASH INVESTMENT AND FINANCING ACTIVITIES:		
Additions to work in progress	350,422	344,422

The accompanying notes are an integral part of the financial statements.

N O T E S

to the financial statements for the year ended December 31, 1999

1. Incorporation and activities

The Public Warehousing Company - K.S.C. was incorporated in 1979 as a Kuwaiti shareholding company.

The main objectives of the 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 help achieve the Company's objectives inside or outside Kuwait.

The total number of employees of the Company as at December 31, 1999 was 514 employees (1998 - 379 employees).

The address of the Company is Sulaibia- Beside Land Customs Clearing Area - P.O. Box 25418, Safat 13115, Kuwait

e-mail: investor@pwc.com.kw
Internet: www.pwclogistics.com

2. Significant accounting policies

a) Preparation of financial statements

The financial statements are prepared in accordance with International Accounting Standards and Kuwaiti Commercial Company's Law of 1960 and subsequent amendments.

b) Fixed assets and depreciation

Fixed assets are carried at historical cost and depreciated on a straight-line basis over the estimated useful lives of these assets as per the following rates:

Assets	Estimated useful lives in Years
Buildings	25 - 30
Machinery and equipment	5 - 10
Tools, supplies and improvements	2 - 3
Furniture and decoration	5
Vehicles	2 - 4
Storage yards	2
Computers	5

Depreciation for aquired assets is computed from the date of acquisition. Depreciation for projects is computed from the date of completion of each project.

c) Investments

Investments classified as current assets are valued at the lower of cost or market value on an individual basis.

Investments that management intends to hold for more than a year are classified as long term assets. These investments are stated at cost less a provision for other than temporary decline in value.

The resultant gain or loss from valuation of these investments is reported in the statement of income.

N O T E S

to the financial statements for the year ended December 31, 1999

d) Investment in an associate

Investment greater than 20% and less than 50% of the investee's capital is considered as a long-term investment in an associate and is accounted for on the equity method.

e) Investment in an unconsolidated subsidiary

The Public Warehousing Company KSC owns, through a subsidiary, 53% of issued and outstanding common stock of ICS Incorporation Limited, a UK company. In the opinion of management, that investment is held with an intention to sell in the near future. Accordingly, the investment in the unconsolidated subsidiary is stated at cost less provision for other than temporary decline in value.

f) Treasury shares

Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired by the Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, proceeds in excess of cost are credited to a separate account in shareholders' equity (gain on sale of treasury shares) which is not distributable. Any deficiency in proceeds is charged to the same account to the extent of the credit balance on that account. Gains realized subsequently on the sale of treasury shares are used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

g) Income recognition

Warehouses rental income is recognized over the period of the rental contract. Income from handling and supervision charges are recognized upon rendering the service to customers. Investment income is recognized when the Company's right to receive it is established.

h) Foreign currencies

Transactions in foreign currencies during the year are converted to Kuwaiti Dinars at the exchange rates prevailing on each transaction date. Assets and liabilities denominated in foreign currencies are translated to Kuwaiti Dinars at the exchange rates prevailing at the balance sheet date. The resultant exchange differences are reported in the statement of income.

i) End of service indemnity

Provision for end of service indemnity is calculated as per the employees' accumulated years of service at the balance sheet date in accordance with the Kuwaiti Labor Law in the private sector and staff employment contracts for certain employees.

j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and fixed deposits that mature within three months from the date of deposit.

k) Reclassifications

Certain comparative figures have been reclassified to conform with the current year presentation.

3. Fixed deposit

The fixed deposit in the amount of KD 10,000,000 was with a local bank and earned an interest rate of 7.5% per annum and matured on January 9, 2000.

4. Accounts receivable

	1999 KD	1998 KD
Accounts receivable	1,822,521	2,074,724
Provision for doubtful accounts	(1,154,083)	(1,199,046)
	<u>668,438</u>	<u>875,678</u>

5. Short-term investments

	1999 KD	1998 KD
Investment portfolios	150,082	150,082
Current portion of other investments	375,000	375,000
	<u>525,082</u>	<u>525,082</u>

The Company's investment portfolios are managed by specialized financial institutions. The aggregate market value of those portfolios as of December 31, 1999 was equal to their book value.

Other investments consist of a finance contract managed by a specialized local financial institution with an annual rate of return not lower than 8.25% payable in 16 equal quarterly installments due up to June 10, 2001. The movement of that account during the year was as follows:

	1999 KD	1998 KD
Balance at beginning of year	937,500	1,450,478
Principal repayments during the year	(375,000)	(512,978)
Balance at end of year	<u>562,500</u>	<u>937,500</u>

The current portion of this investment of KD 375,000 (1998: KD 375,000) has been included in short-term investments, while the remaining portion of KD 118,500 (1998: KD 562,500) has been included in other long-term investments (Note 8).

6. Other current assets

	1999 KD	1998 KD
Prepaid expenses and refundable deposits	542,888	558,444
Staff receivables	28,574	15,922
Fuel, converter and miscellaneous	63,977	44,031
Other current assets	179,693	24,477
	<u>815,132</u>	<u>642,874</u>

7. Investment in an unconsolidated subsidiary

Through a subsidiary company in the Cayman Islands, The Public Warehousing Company purchased 53% of the outstanding share capital and certain other assets related to the operations of ICS Incorporation Limited. The acquisition cost KD 8,203,171. Management considers the Company's control over the subsidiary company is temporary as it is held with the intention to sell in the near future.

N O T E S

to the financial statements for the year ended December 31, 1999

The fair market value of the unconsolidated subsidiary is not less than its carrying value according to the valuation reports.

8. Long-term investments

	1999 KD	1998 KD
Unquoted securities - at cost	193,907	124,907
Provision for decline in value	(74,999)	(74,999)
	<u>118,908</u>	<u>49,908</u>
Investment funds - at cost	88,515	88,515
Provision for decline in value	(88,514)	(88,514)
	<u>1</u>	<u>1</u>
Investment Portfolio	1,000,000	-
Other investments (note 5)	118,500	562,500
Investment in an associate	69,000	-
	<u>1,306,409</u>	<u>612,409</u>

Investment in an associate represents the share of 23% of the paid up capital of the Kuwait International Laboratory Company (LABCO) KSC., which is under establishment.

9. Fixed assets

	Tools, Building & Machines &		Renovation KD	Furniture Decoration & Computer		Computer Software KD	Total KD
	Yards KD	Equipment KD		Vehicles KD	Computer KD		
Cost							
January 1, 1999	32,523,859	4,234,927	304,593	119,983	549,412	-	37,732,774
Additions	524	75,188	42,188	-	18,300	72,594	208,794
Disposals	-	-	-	(51,467)	-	-	(51,467)
Transfer from W.I.P	1,917,667	3,154,114	690,993	474,840	364,751	789,806	7,392,171
December 31, 1999	<u>34,442,050</u>	<u>7,464,229</u>	<u>1,037,774</u>	<u>543,356</u>	<u>932,463</u>	<u>862,400</u>	<u>45,282,272</u>
Accumulated Depreciation							
January 1, 1999	24,047,601	4,056,455	263,486	119,983	404,041	-	28,891,566
Charge for the year	886,505	114,535	101,374	64,082	62,795	81,622	1,310,913
Disposals	-	-	-	(51,467)	-	-	(51,467)
December 31, 1999	<u>24,934,106</u>	<u>4,170,990</u>	<u>364,860</u>	<u>132,598</u>	<u>466,836</u>	<u>81,622</u>	<u>30,151,012</u>
Net book value							
December 31, 1999	<u>9,507,944</u>	<u>3,293,239</u>	<u>672,914</u>	<u>410,758</u>	<u>465,627</u>	<u>780,778</u>	<u>15,131,260</u>
December 31, 1998	<u>8,476,258</u>	<u>178,472</u>	<u>41,107</u>	<u>-</u>	<u>145,371</u>	<u>-</u>	<u>8,841,208</u>

Depreciation charge for the year amounted to KD 1,310,913 (1998 - 969,784). This has been charged as follows:

	1999	1998
	KD	KD
Direct costs charged to cost of operations	1,226,209	933,925
Year costs	84,704	35,859
	<u>1,310,913</u>	<u>969,784</u>

All Company buildings are erected on leased Government land for periods of five years and automatically renewable for similar periods.

10. Projects in progress

Projects in progress consist of cost of construction and furnishing new warehouses. The movement of the account during the year was as follows:

	1999	1998
	KD	KD
Balance at the beginning of the year	6,468,807	583,086
Additions during the year	9,273,359	5,949,566
Amortization of projects in progress	-	(29,393)
Transfer to other assets	-	(34,452)
Transfer to fixed assets	(7,392,171)	-
	<u>8,349,995</u>	<u>6,468,807</u>

11. Other current liabilities

	1999	1998
	KD	KD
Accrued expenses	318,322	348,708
Accrued leave	169,715	131,212
Refundable deposits	352,797	355,917
Retentions	774,867	512,531
Kuwait Foundation for the Advancement of Sciences	108,639	584,790
Board of directors remuneration	35,000	35,000
Other	872,509	738,525
	<u>2,631,849</u>	<u>2,706,683</u>

12. Share capital

Authorized, issued and paid-in capital consists of 323,205,720 shares at a par value of 100 fils each.

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13. Statutory reserve

In accordance with the Commercial Companies' Law, 10% of the profit for the year is transferred to the statutory reserve. The Company may resolve to discontinue such annual transfers when this reserve reaches 50% of the capital. The statutory reserve is not available for distribution except in certain circumstances stipulated by Law.

14. Treasury Stock

The treasury stock of 5,285,031 shares represents 1.6% of the company's capital as of December 31, 1999 (1998 - 4,045,031 shares represent 1.3% of share capital). The market value of the treasury stock amounted KD 1,988,407 as of December 31, 1999 (1998 - KD 858,348).

15. Revenues from operations

	1999	1998
	KD	KD
Rental of warehouses, yards and offices	7,027,886	6,922,078
Warehouse management and customs handling	977,859	925,346
Logistics services	402,469	343,399
Other services	93,676	46,563
	8,501,890	8,237,386

16. Management Fees

Management fees consist of revenues earned from managing third-party properties.

17. Earnings per share

There are no dilutive shares expected to be issued. Information to compute earnings per share is as follows:

	1999	1998
	KD	KD
Net profit for the year (Exhibit B)	5,760,907	8,085,121
	Shares	Shares
Shares outstanding:		
At beginning of the year	323,205,720	323,205,720
Weighted average of number of treasury stock	(4,926,209)	(1,635,678)
Weighted average of number of shares issued	318,279,511	321,570,042
Earnings per share	18 Fils	25 Fils

18. Capital Commitments

Commitments in connection with information technology systems and other construction expansion amounted to KD 650,000 at December 31, 1999 (1998-KD 2,600,000).

19. Contingent liabilities

Contingent liabilities as of December 31, 1999 consisted of the following:

	1999	1998
	KD	KD
Letters of guarantee	814,180	772,436
Letters of credit	-	538,386
Uncalled portion of investment in an associate	172,500	-
	<u>986,680</u>	<u>1,310,822</u>

There are certain lawsuits filed against the company by contractors and customers for compensation as well as counter suits filed by the company in respect of certain claims. These lawsuits were still pending as of the date of preparation of the financial statements.

20. Staff cost

Staff cost was allocated as follows:

	1999	1998
	KD	KD
Operations cost	1,220,931	550,897
General and administrative expenses	973,821	798,520
	<u>2,194,752</u>	<u>1,349,417</u>

21. Proposed dividends

The Board of Directors propose cash dividends of KD 6,358,414 based on 20 fils per share (1998 - KD 9,537,621 based on 30 fils per share). This proposal is subject to approval by the shareholders' general assembly.

In order to conform to a ministerial decree of 1999, the Company has adopted the accepted alternative accounting practice for proposed dividends. Under the alternative treatment in IAS 10, dividends proposed for approval after the balance sheet date are disclosed rather than being recognized as liabilities in the financial statements. The comparative statements for 1998 have been restated to conform to this treatment. The effect of the change is a reduction in liabilities and increase in retained earnings of KD 6,358,414 in 1999 (1998 - reduction in liabilities and increase in retained earnings of KD 9,537,621).

Had the 1999 proposed dividends been recognized in the financial statements, retained earnings and shareholders' equity would be as follows:

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	Retained earnings KD	Shareholders' equity KD
Balance as reported	6,429,634	42,688,213
Proposed dividends	(6,358,414)	(6,358,414)
Balance after dividends	71,220	36,329,799

22. Change in accounting policy

In 1999, the Company changed its accounting policy with respect to the treatment of treasury shares. In order to conform to Interpretation SIC-16 of the International Accounting Standards Committee and Ministerial Resolution 273 of 1999, treasury shares are now presented in the balance sheet as a deduction from equity rather than being accounted for as investments at the lower of cost or market value. No gain or loss is recognized in the income statement on the sale, issuance or cancellation of such shares. Gains and losses are now treated in accordance with the new accounting policy as set out in Note 2 (f). This change in accounting policy has been accounted for retrospectively. The comparative statements for 1998 have been restated to conform to the changed policy. The cumulative effect of the change in accounting policy on the opening balance of retained earnings for 1999 resulted in an increase of KD 276,972, which represented the provision made in 1998 for treasury shares.

23. Contingent claims

The Company has filed a claim through the Public Authority for Assessment of Compensation for damages resulting from the Iraqi aggression for losses incurred as a result of Iraqi invasion of Kuwait in the year 1990. The initial estimate of the claim is KD 5,717,698.

24. Financial instruments

The Company is exposed in the normal course of business, to certain primary financial instruments such as cash, deposits at banks, trade receivables, trade payables, securities, investment portfolios and investment funds. At December 31 the carrying values of these financial instruments approximate their fair values except as mentioned in the above notes concerning the market values of the investment portfolios.