

**THE PUBLIC WAREHOUSING COMPANY K.S.C
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**FOR THE THREE MONTHS ENDED 31 MARCH 2009
(UNAUDITED)**

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Public Warehousing Company K.S.C. (the “Parent Company”) and Subsidiaries (the “Group”) as at 31 March 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the three month 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 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 further discussed in note 9(e) to the interim condensed consolidated financial information, during the year ended 31 December 2006, a performance guarantee amounting to KD 10.1 million was called by a counterparty in relation to non performance of obligations under a contract operated by a subsidiary of the Group and encashed during the year ended 31 December 2007. The amount was not expensed in the audited consolidated financial statements for the year ended 31 December 2006, which in our opinion, is not in accordance with International Financial Reporting Standards. We qualified our opinion in this regard on the consolidated financial statements for the years ended 31 December 2006, 2007 and 2008. Subsequent to 31 December 2008, the expert department of the Ministry of Justice issued a report on this matter which was in favour of the subsidiary in respect of most of the issues arising from the case. Pending final court ruling on this matter, in our opinion, other current assets should be decreased by KD 10.1 million and retained earnings attributable to the equity holders of the Parent Company should be decreased by KD 6.1 million and non-controlling interests should be decreased by KD 4.0 million.

Qualified conclusion

Except for the effect of the matter described in the preceding 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 BOARD OF DIRECTORS OF THE PUBLIC WAREHOUSING COMPANY K.S.C. (continued)

Emphasis of matter

Without further qualifying our conclusion, we draw attention to the commitments and contingencies explained in note 9 (a), (b) and (c) to the interim condensed consolidated financial information.

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 the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the Parent Company have occurred during the three month period ended 31 March 2009 that might have had a material effect on the business of the Parent Company or on its financial position.



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The Public Warehousing Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2009 (Unaudited)

		31 March 2009 KD 000's	(Audited) 31 December 2008 KD 000's	31 March 2008 KD 000's
ASSETS	<i>Notes</i>			
Non-current assets				
Property, plant and equipment		224,187	222,106	210,925
Projects in progress		61,751	55,815	36,227
Investment properties	3	213,163	212,912	208,787
Intangible assets		14,884	15,496	17,144
Goodwill		246,406	235,228	205,081
Available for sale investments	4	120,214	113,720	91,774
Other non-current assets		48,294	46,528	17,476
Total non-current assets		<u>928,899</u>	<u>901,805</u>	<u>787,414</u>
Current assets				
Inventories		70,729	73,218	67,455
Trade receivables		295,526	321,619	328,173
Other current assets		104,619	91,748	116,038
Bank balances and cash	5	323,066	253,425	271,699
Total current assets		<u>793,940</u>	<u>740,010</u>	<u>783,365</u>
TOTAL ASSETS		<u>1,722,839</u>	<u>1,641,815</u>	<u>1,570,779</u>
EQUITY AND LIABILITIES				
LIABILITIES				
EQUITY				
Share capital		104,684	104,684	95,167
Share premium		152,650	152,650	152,650
Statutory reserve		52,342	52,342	47,584
Treasury shares	6	(47,835)	(48,431)	(2,824)
Treasury shares reserve		42,630	43,356	43,534
Foreign currency translation reserve		(808)	(28,370)	(29,689)
Hedging reserve		(21,274)	(8,954)	-
Investment revaluation reserve		(621)	(618)	(601)
Retained earnings		525,771	488,819	474,992
Equity attributable to equity holders of the Parent Company		<u>807,539</u>	<u>755,478</u>	<u>780,813</u>
Non-controlling interests		<u>32,920</u>	<u>30,921</u>	<u>26,736</u>
Total equity		<u>840,459</u>	<u>786,399</u>	<u>807,549</u>
LIABILITIES				
Non-current liabilities				
Interest bearing loans	7	229,152	219,435	99,626
Bonds		-	-	28,265
Provision for employees' end of service benefits		18,811	18,124	16,842
Other non-current liabilities		33,215	32,660	29,676
Total non-current liabilities		<u>281,178</u>	<u>270,219</u>	<u>174,409</u>
Current liabilities				
Trade and other payables		383,083	374,672	358,517
Interest bearing loans	7	171,654	165,627	219,080
Bonds		29,588	28,795	-
Taxes payable		11,237	10,383	7,245
Dividends payable to shareholders		5,640	5,720	3,979
Total current liabilities		<u>601,202</u>	<u>585,197</u>	<u>588,821</u>
Total liabilities		<u>882,380</u>	<u>855,416</u>	<u>763,230</u>
TOTAL EQUITY AND LIABILITIES		<u>1,722,839</u>	<u>1,641,815</u>	<u>1,570,779</u>

Tarek Abdul Aziz Sultan
Chairman and Managing Director

The accompanying notes 1 to 12 form part of this interim condensed consolidated financial information.

The Public Warehousing Company K.S.C. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the three months ended 31 March 2009 (Unaudited)

	<i>Note</i>	<i>Three months ended</i>	
		<i>2009</i>	<i>2008</i>
		<i>KD 000's</i>	<i>KD 000's</i>
Revenue:			
Logistics and freight forwarding revenue		384,245	422,516
Rental revenue		7,537	6,481
Other service		15,616	14,136
Total revenue		407,398	443,133
Cost of revenue		(252,977)	(292,239)
Net revenues		154,421	150,894
Operating expenses			
General and administrative expenses		(36,249)	(34,578)
Salaries and employee benefits		(64,860)	(65,822)
Depreciation		(11,287)	(11,160)
Amortisation		(611)	(611)
Total operating expenses		(113,007)	(112,171)
Profit from operations		41,414	38,723
Other income (expense)			
Change in fair value of investment properties		-	4,072
Interest income		4,213	5,900
Miscellaneous (expense) income		(134)	724
Total other income		4,079	10,696
Finance costs		(5,058)	(7,233)
Profit for the period before income tax, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		40,435	42,186
Income tax		(379)	(356)
Contribution to KFAS		(348)	(393)
NLST		(966)	(983)
Zakat		(387)	(394)
Directors' remuneration		(44)	(45)
PROFIT FOR THE PERIOD		38,311	40,015
Attributable to:			
Equity holders of the Parent Company		36,952	37,536
Non-controlling interests		1,359	2,479
		38,311	40,015
BASIC AND DILUTED EARNINGS PER SHARE	8	36.96 fils	35.89 fils

The accompanying notes 1 to 12 form part of this interim condensed consolidated financial information.

The Public Warehousing Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2009 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period	38,311	40,015
Other comprehensive income (expense):		
Foreign currency translation adjustments	27,994	(11,642)
Net loss on hedge of net investments (Note 7)	(12,450)	-
Net change in fair value of cash flow hedge	130	-
Net changes in fair value of available for sale investments	(3)	(2)
Other comprehensive income (expense) for the period included directly in equity	15,671	(11,644)
Total comprehensive income for the period	53,982	28,371
Attributable to:		
Equity holders of the Parent Company	52,191	25,703
Non-controlling interests	1,791	2,668
	53,982	28,371

The accompanying notes 1 to 12 form part of this interim condensed consolidated financial information.

The Public Warehousing Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2009 (Unaudited)

	Note	Three months ended 31 March	
		2009 KD 000's	2008 KD 000's
OPERATING ACTIVITIES			
Profit for the period before income tax, KFAS, NLST, Zakat and Directors' remuneration		40,435	42,186
Adjustments for:			
Provision for impairment of trade receivables		1,291	832
Provision for employees' end of service benefits		2,138	2,158
Foreign currency exchange gain		(1,274)	(4,023)
Depreciation		11,287	11,160
Amortisation		611	611
Change in fair value of investment properties		-	(4,072)
Interest income		(4,213)	(5,900)
Finance costs		5,058	7,233
Gain on sale of property, plant and equipment		(251)	(151)
Operating profit before changes in working capital		55,082	50,034
Inventories		2,711	(1,335)
Trade receivables		32,483	17,022
Other current assets		(7,783)	(13,862)
Trade and other payables		1,001	11,155
Cash from operations		83,494	63,014
Income tax paid		(645)	(765)
Zakat paid		(98)	-
Directors' remuneration paid		-	(200)
Employees' end of service benefits paid		(1,681)	(1,074)
Net cash from operating activities		81,070	60,975
INVESTING ACTIVITIES			
Net movement in available for sale investments		-	1,306
Additions to property, plant and equipment (net of disposals)		(7,510)	(12,791)
Additions to projects in progress (net of disposals)		(3,633)	(5,639)
Additions to investment properties		(251)	(59)
Interest received		770	3,151
Acquisition of additional interest in subsidiaries		(85)	(4,267)
Net movement in deposits with original maturities exceeding three months		(5,480)	19,108
Net cash (used in) from investing activities		(16,189)	809
FINANCING ACTIVITIES			
Receipts from minority shareholders as a result of additional share capital issued by the subsidiaries		293	-
Purchase of treasury shares		(1,583)	(1,789)
Proceeds from sale of treasury shares		1,453	-
Net movement in interest bearing loans		(1,224)	2,747
Finance cost paid		(4,582)	(5,373)
Dividends paid to shareholders of the Parent Company		(82)	(157)
Dividends paid to minority shareholders of subsidiaries		-	(2,450)
Net cash used in financing activities		(5,725)	(7,022)
Foreign currency translation adjustments		5,005	(11,037)
INCREASE IN CASH AND CASH EQUIVALENTS		64,161	43,725
Cash and cash equivalents at 1 January		154,574	189,889
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	218,735	233,614

The accompanying notes 1 to 12 form part of this interim condensed consolidated financial information.

The Public Warehousing Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended 31 March 2009 (Unaudited)

	Attributable to equity holders of the Parent Company											
	Share capital KD 000's	Share premium KD 000's	Statutory reserve KD 000's	Treasury shares KD 000's	Treasury shares reserve KD 000's	Foreign currency reserve KD 000's	Hedging reserve KD 000's	Investment revaluation reserve KD 000's	Retained earnings KD 000's	Sub total KD 000's	Non-controlling interests KD 000's	Total KD 000's
Balance at 1 January 2009	104,684	152,650	52,342	(48,431)	43,356	(28,370)	(8,954)	(618)	488,819	755,478	30,921	786,399
Profit for the period	-	-	-	-	-	-	-	-	36,952	36,952	1,359	38,311
Other comprehensive income (expense) for the period included directly in equity	-	-	-	-	-	27,562	(12,320)	(3)	-	15,239	432	15,671
Total comprehensive income (expense) for the period	-	-	-	-	-	27,562	(12,320)	(3)	36,952	52,191	1,791	53,982
Sale of treasury shares	-	-	-	2,179	(726)	-	-	-	-	1,453	-	1,453
Purchase of treasury shares	-	-	-	(1,583)	-	-	-	-	-	(1,583)	-	(1,583)
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(85)	(85)
Issue of share capital by subsidiaries	-	-	-	-	-	-	-	-	-	-	293	293
Balance at 31 March 2009	104,684	152,650	52,342	(47,835)	42,630	(808)	(21,274)	(621)	525,771	807,539	32,920	840,459
Balance at 1 January 2008	95,167	152,650	47,584	(1,035)	43,534	(17,858)	-	(599)	437,456	756,899	27,744	784,643
Profit for the period	-	-	-	-	-	-	-	-	37,536	37,536	2,479	40,015
Other comprehensive expense for the period included directly in equity	-	-	-	-	-	(11,831)	-	(2)	-	(11,833)	189	(11,644)
Total comprehensive (expense) income for the period	-	-	-	-	-	(11,831)	-	(2)	37,536	25,703	2,668	28,371
Dividends	-	-	-	-	-	-	-	-	-	-	(2,450)	(2,450)
Purchase of treasury shares	-	-	-	(1,789)	-	-	-	-	-	(1,789)	-	(1,789)
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,226)	(1,226)
Balance at 31 March 2008	95,167	152,650	47,584	(2,824)	43,534	(29,689)	-	(601)	474,992	780,813	26,736	807,549

The accompanying notes 1 to 12 form part of this interim condensed consolidated financial information.

The Public Warehousing Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2009 (Unaudited)

1 INCORPORATION AND ACTIVITIES

The Public Warehousing Company K.S.C. (the "Parent Company") is a Kuwaiti shareholding company, incorporated in 1979.

The address of the Parent Company Head office is Sulaibia, beside Land Customs Clearing Area, P.O. Box 25418, Safat 13115, Kuwait. The Group operates under the trade name of "Agility".

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 in 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.

The interim condensed consolidated financial information was authorised for issue by the Parent Company's Board of Directors on 4 May 2009.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not contain all information and disclosures as required for full financial statements that are prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the three month period ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009. For more details please refer to the consolidated financial statements for the year ended 31 December 2008.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2008, except as noted below.

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard requires only owner changes in equity to be presented in the statement of changes in equity. All non owner changes in equity (i.e. comprehensive income) are required to be presented separately from owner changes in equity in a performance statement (interim condensed consolidated statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 'Operating segments':

The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified. Additional disclosures about each of these segments are shown in Note 12, including revised comparative information.

The Public Warehousing Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2009 (Unaudited)

3 INVESTMENT PROPERTIES

Investment properties are held at fair value, which has been determined based on valuations performed by an accredited independent valuer, at the end of each financial year.

Included in investment properties is a property with a carrying value of KD 8,596 thousand, including revaluation gains of KD 665 thousand recorded in prior periods, that is subject to ongoing litigation arising from a claim filed by the Parent Company and counter claims against the Parent Company with respect to certain lease contracts, which have been cancelled by the counterparty during the year ended 31 December 2006 (Note 9(c)).

Lease periods range from five to twenty years and are renewable. All investment properties are located in Kuwait.

4 AVAILABLE FOR SALE INVESTMENTS

	<i>31 March 2009 KD 000's</i>	<i>(Audited) 31 December 2008 KD 000's</i>	<i>31 March 2008 KD 000's</i>
Unquoted equity securities	47,099	44,589	25,243
Unquoted debt securities	73,115	69,131	66,531
	<u>120,214</u>	<u>113,720</u>	<u>91,774</u>

Available for sale investments amounting to KD 14,319 thousand (31 December 2008: KD 13,635 thousand and 31 March 2008: KD 996 thousand) are located in Kuwait. The balance of KD 105,895 thousand (31 December 2008: KD 100,085 thousand and 31 March 2008: KD 90,778 thousand) are located outside Kuwait.

For available for sale investments the Group assesses at each statement of financial position date whether there is objective evidence that an investment or group of investments is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or "prolonged" requires judgment.

Based on these criteria, the Group has not identified any impairment losses to be recorded in the interim condensed consolidated statement of income.

5 BANK BALANCES AND CASH

	<i>31 March 2009 KD 000's</i>	<i>(Audited) 31 December 2008 KD 000's</i>	<i>31 March 2008 KD 000's</i>
Cash in hand and at bank	93,228	89,593	91,308
Short term deposits	125,507	64,981	142,306
Cash and cash equivalents	218,735	154,574	233,614
Deposits with original maturities exceeding three months	104,331	98,851	38,085
	<u>323,066</u>	<u>253,425</u>	<u>271,699</u>

Included in bank balances and cash are balances amounting to KD 74,438 thousand (31 December 2008: KD 90,414 thousand and 31 March 2008: KD 200,321 thousand) held by banks in Kuwait whereas the balance of KD 248,628 thousand (31 December 2008: KD 163,011 thousand and 31 March 2008: KD 71,378 thousand) are held by foreign banks situated outside Kuwait.

The Public Warehousing Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2009 (Unaudited)

5 BANK BALANCES AND CASH (continued)

Short term deposits (with original maturities up to three months) are placed for varying periods of one day to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. Term deposits earn interest ranging from 4.5% to 7.7% per annum.

6 TREASURY SHARES

	<i>31 March 2009</i>	<i>(Audited) 31 December 2008</i>	<i>31 March 2008</i>
Number of treasury shares	47,903,640	47,443,640	2,256,491
Percentage of issued shares	4.58%	4.53%	0.24%
Market value in KD 000's	30,179	29,415	2,618
Cost in KD 000's	47,835	48,431	2,824

7 INTEREST BEARING LOANS

	<i>31 March 2009 KD 000's</i>	<i>(Audited) 31 December 2008 KD 000's</i>	<i>31 March 2008 KD 000's</i>
Loan of US\$ 525,000 thousand obtained from a club of foreign banks in May 2008 and is repayable in May 2011.	153,169	144,848	-
Loan of SGD 272,000 thousand obtained from a foreign bank in May 2008 and is repayable in November 2009.	52,321	51,925	-
Loan of US\$ 100,000 thousand obtained from a foreign bank in April 2008 and is repayable in April 2012.	29,175	27,590	-
Loan of US\$ 550,000 thousand obtained from a foreign bank. This loan was repaid in May 2008.	-	-	78,588
Loan of KD 100,000 thousand borrowed from a local bank in October 2007 and is repayable in four instalments commencing from April 2008.	25,000	25,000	100,000
Loan of US\$ 234,160 thousand borrowed from a local bank in October 2007 and is repayable in semi-annual instalments commencing from June 2009.	68,316	68,975	66,237
Loan of US\$ 60,000 thousand borrowed from a foreign bank in 2003 and is repayable in quarterly instalments commencing from September 2005.	5,406	9,738	10,768
Loan of US\$ 40,000 thousand borrowed from a foreign bank in 2003. This loan was repaid in June 2008.	-	-	6,822
Loan of US\$ 75,000 thousand obtained from a foreign bank in October 2008 and is repayable in October 2009.	21,881	20,689	-
Other loans	45,538	36,297	56,291
	<u>400,806</u>	<u>385,062</u>	<u>318,706</u>

The Public Warehousing Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2009 (Unaudited)

7 INTEREST BEARING LOANS (continued)

Floating interest rate loans amounting to KD 400,806 thousand (31 December 2008: KD 385,062 thousand and 31 March 2008: KD 318,706 thousand) carry interest margin ranging from 0.65% to 2.75% per annum over LIBOR.

The following table shows the current and non-current portions of the Group's loan obligations:

	<i>Current portion KD 000's</i>	<i>Non-current portion KD 000's</i>	<i>Total KD 000's</i>
Balance at 31 March 2009	171,654	229,152	400,806
Balance at 31 December 2008	165,627	219,435	385,062
Balance at 31 March 2008	219,080	99,626	318,706

Included in interest bearing loans are loans amounting to KD 11,752 thousand (31 December 2008: KD 11,465 thousand and 31 March 2008: KD 24,034 thousand) which are held by subsidiaries in the Group. Trade receivables and certain other assets of the respective subsidiaries are pledged as collateral against these loans.

Included in interest bearing loans is an amount of KD 8,000 thousand (31 December 2008: KD 8,500 thousand and 31 March 2008: KD 10,000 thousand) in a subsidiary, Global Clearing House Systems K.S.C. (Closed) on a non-recourse basis. The net worth of this subsidiary at 31 March 2009 is negative KD 26,807 thousand. The Parent Company is only liable for losses equal to the contributed share capital of the subsidiary amounting to KD 3,030 thousand at the balance sheet date. Certain assets of the subsidiary amounting to KD 25,539 thousand have been pledged as collateral against this loan.

Hedge of net investments in foreign operations

Included in interest bearings loans at 31 March 2009 were loans denominated in US\$ (hedging instrument) of US\$ 785,000 thousand, which has been designated as a hedge of the net investments in the overseas subsidiaries (with functional currency US dollars) and are being used to hedge the Group's exposure to foreign exchange risk on these investments. Gains or losses on the retranslation of interest bearings loans are transferred to equity to offset any gains or losses on translation of the net investments in these subsidiaries. Foreign exchange loss arising on translation of the hedging instruments amounting KD 12,450 thousand (31 December 2008: KD 8,318 thousand and 31 March 2008: nil) were taken directly to equity (Hedging reserve).

The Public Warehousing Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2009 (Unaudited)

8 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Earnings:		
Profit for the period attributable to equity holders of the Parent Company	<u>36,952</u>	<u>37,536</u>
	<i>Shares</i>	<i>Shares</i>
Shares issued	1,046,836,709	1,046,836,709
Weighted average number of treasury shares	<u>(46,976,973)</u>	<u>(1,066,827)</u>
Weighted average number of shares outstanding	<u>999,859,736</u>	<u>1,045,769,882</u>
Basic and diluted earnings per share	<u>36.96 fils</u>	<u>35.89 fils</u>

9 COMMITMENTS AND CONTINGENCIES

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

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2009</i>	<i>31 December</i>	<i>2008</i>
	<i>KD 000's</i>	<i>2008</i>	<i>KD 000's</i>
		<i>KD 000's</i>	<i>KD 000's</i>
Letters of guarantee	76,545	52,216	38,665
Operating lease commitments	29,775	24,470	26,953
Capital commitments	13,526	9,652	10,992
	<u>119,846</u>	<u>86,338</u>	<u>76,610</u>

Capital commitments relate to the construction of warehouses and for the purchase of vehicles to be used in the Group's logistics operations.

Included in letters of guarantee are bank guarantees for KD 31,372 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 net worth of the subsidiary at 31 March 2009 is negative KD 26,407 thousand. The Parent Company is only liable for losses equal to the contributed share capital of the subsidiary amounting to KD 3,030 thousand. During the year ended 31 December 2007, the Department of Customs called a guarantee of KD 10,092 thousand. As further explained below, the subsidiary did not charge this payment to the income statement.

Legal claims

(a) *Subsistence Prime Vendor Contract – US investigation*

During the year ended 31 December 2007, the Parent Company was served with an administrative subpoena and, subsequently in March 2008 with a grand jury subpoena, by the US Government in connection with an investigation into certain aspects of the Subsistence Prime Vendor Contract ("SPV"). In addition, some employees of the Group were served with civil investigative demands. The Parent Company is cooperating with this investigation and has produced numerous records in response to this request.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

For the three months ended 31 March 2009 (Unaudited)

9 COMMITMENTS AND CONTINGENCIES (continued)

As at 31 March 2009, the US Government has not made any claims or brought any charges against the Parent Company. The Parent Company (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigation and, as no formal allegations have yet been made, the management has concluded that no provision is considered necessary in the accompanying interim condensed consolidated financial information.

(b) Freight forwarding business - investigation

In October 2007, certain subsidiaries (involved in the freight forwarding business) in the Group along with other major players in the freight forwarding industry received requests for information from the competition authorities of the EU, the United States, and other jurisdictions in connection with an industry-wide investigation into the setting of surcharges and fees. These subsidiaries are fully cooperating with the respective authorities.

As at 31 March 2009, the Group's management (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigations and as no formal allegations have yet been made against these subsidiaries, the management has concluded that no provision is considered necessary in the accompanying interim condensed consolidated financial information.

(c) Lease agreements

On 27 November 2006, and based on the recommendation by the Ministers' Council, the Minister of Commerce & Industry issued the Resolution No. 30/2006 to terminate three contracts of those concluded between the Parent Company and the Public Authority of Industry for Mina Abdulla Zone, Kuwait.

The Parent Company protested against this order through case No. 940/2006 "Administrative". In the Hearing held on 25 December 2006, the court pronounced its ruling to repeal the aforesaid Resolution of the Minister of Commerce & Industry and its resultant impacts.

However, the Government requested the Board of Public Authority of Industry to hold a meeting chaired by the Minister of Commerce & Industry, who issued a new resolution No. 1/2007 to terminate the same contract being the subject of the previous Resolution.

The Parent Company again protested against the new resolution through case No. 36/2007 and assured, in its statement of defence, which is in agreement with the provisions of the law, as confirmed by the Supreme Court including the Kuwait Court of Cessation, that the new Resolution is void, because it has been made on the same subject of the previous resolution. In the opinion of external legal counsel, the court shall pronounce its judgment to revoke the new Resolution issued by the Public Authority of Industry, because it has been based on wrong objects. The Resolutions issued by the governmental authorities are merely of financial concerns that shall be resolved by the courts to establish the Parent Company's rights in such contracts.

The Parent Company is in the process of performing an assessment of the final losses arising from the aforementioned Resolutions, so that a claim can be filed with the Government of Kuwait for recovery of these amounts.

The Parent Company has not recognised any revenue on the aforementioned contracts for the three months ended 31 March 2009.

On 9 January 2007 the Ministry of Finance terminated the Al-Jahra Fish, Meat and Vegetables Market Project Contract with the Parent Company following the Resolution issued by the Council of Ministers No. 2/2007. The Parent Company appealed against this resolution through Case No. 200/2007 Administrative -3. The Court of First Instance cancelled the resolution No. 2/2007 issued by the Ministry of Finance.

In January 2008, the Court of Appeal ruled in favour of the Parent Company whereby Al-Jahra Fish, Meat and Vegetables Market Project Contract is to be given back to the Parent Company. The Court of Appeal also ruled out that the Parent Company be compensated for losses and expenses that arose as a result of this case. The Ministry of Finance filed an appeal against this ruling in the Supreme Court, which is yet to give its decision. In the opinion of the legal counsel, the Supreme Court will pronounce the decision in favor of the parent company and accordingly the parent company has resumed recognition of rent in respect of the above contract.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2009 (Unaudited)

9 COMMITMENTS AND CONTINGENCIES (continued)

(d) Prime Vendor Services Contract – legal dispute

A dispute had arisen between the Parent Company and Kamal Mustaffa Al-Sultan Company (the “third party”) with respect to a partnership agreement dated 30 July 2002 for the purpose of bidding for the provision of services to the U.S. Government (the Prime Vendor Services Contract). The partnership agreement provided for the preparation of all infrastructure and assets required for that purpose. The Parent Company had submitted all evidences to the Execution Department in proof of the partnership not having any funds, assets or properties and the eventual non-existence of the partnership, as a consequence of the partners not providing any capital contributions to the partnership.

On 7 January 2008, the Supreme Court of Kuwait ruled in favour of the Parent Company confirming that the partnership agreement between the Parent Company and the third party was not legally enforceable and is void.

(e) Guarantee encashment

A Resolution has been issued by the General Administration of Customs for Kuwait (“GAC”) to cash a portion, amounting to KD 10,092 thousand of the bank guarantee submitted by Global Clearing House Systems K.S.C. (Closed) (the “Company”), a subsidiary of the Parent Company, in favour of GAC against execution. This Resolution is being appealed through case No. 224/2007 “Administrative - 7”.

In the opinion of the Parent Company’s external legal consulting firms the violations against which a portion of the bank guarantee provided has been encashed, are non-contractual violations, and in accordance with the law, believe that a verdict shall be issued in favour of the Company to return the encashed portion of the guarantee plus interest of 7%. The Company, during the current period, obtained a report from the expert department of Ministry of Justice on this matter which was in favour of the Company in respect of most of the issues arising from the case. The management is of the opinion that this matter is incidental and will be resolved in the courts during 2009 and, accordingly, no expense should be recorded in the accompanying interim condensed consolidated financial information.

In addition to the above, the Group is involved in various claims and legal proceedings including employee compensation and contractor disputes. The in-house legal counsel of the Group believes that such claims are baseless and will not have a material adverse effect on the accompanying interim condensed consolidated financial information.

10 DIVIDENDS

On 23 March 2009, the Board of Directors of the Parent Company has recommended no cash dividend or bonus shares for the year ended 31 December 2008. This is subject to approval of shareholders of the Parent Company at the annual general meeting.

11 RELATED PARTY TRANSACTIONS

As per the International Accounting Standard (IAS) 24 “Related party disclosures”, related parties represent shareholders, directors and key management personnel of the Group, and companies which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Group’s management.

The Public Warehousing Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2009 (Unaudited)

11 RELATED PARTY TRANSACTIONS (continued)

Transactions and balances with related parties are as follows:

	<i>Major shareholders KD 000's</i>	<i>Other related parties KD 000's</i>	<i>Three months ended 31 March 2009 KD 000's</i>	<i>(Audited) Year ended 31 December 2008 KD 000's</i>	<i>Three months ended 31 March 2008 KD 000's</i>
Interim condensed consolidated income statement					
Purchases (net of discounts)	-	10,090	10,090	44,501	10,599
Interim condensed consolidated statement of financial position					
Amounts due to related parties	560	16,751	17,311	16,610	13,187

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

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	<i>Three month ended 31 March 2009 KD 000's</i>	<i>Three month ended 31 March 2008 KD 000's</i>
Short-term benefits	160	180
Employees' end of service benefits	30	36
Share-based payments	975	975
	<u>1,165</u>	<u>1,191</u>

12 SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided.

The primary business segments based on the internal reporting systems are 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 but not limited to trade facilitation, real-estate and private equity projects.

The Public Warehousing Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2009 (Unaudited)

12 SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue and profit information regarding the Group's business segments:

Three months ended 31 March 2009	<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>
Revenue				
Sales to external customers	391,087	16,311	-	407,398
Inter-segmental sales	28,263	2,174	(30,437)	-
Total revenue	<u>419,350</u>	<u>18,485</u>	<u>(30,437)</u>	<u>407,398</u>
Results				
Segment results	<u>41,181</u>	<u>1,681</u>	<u>(1,448)</u>	<u>41,414</u>
Other income				(134)
Interest income				4,213
Finance costs				(5,058)
Profit before tax				<u>40,435</u>
Taxes (including KFAS, NLST, Zakat and directors' remuneration)				<u>(2,124)</u>
Profit for the period				<u><u>38,311</u></u>
Three months ended 31 March 2008	<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>
Revenue				
Sales to external customers	427,485	19,720	-	447,205
Inter-segmental sales	25,242	1,680	(26,922)	-
Total revenue (note below)	<u>452,727</u>	<u>21,400</u>	<u>(26,922)</u>	<u>447,205</u>
Results				
Segment results	<u>32,658</u>	<u>6,374</u>	<u>3,763</u>	42,795
Other income				724
Interest income				5,900
Finance costs				(7,233)
Profit before tax				<u>42,186</u>
Taxes (including KFAS, NLST, Zakat and directors' remuneration)				<u>(2,171)</u>
Profit for the period				<u><u>40,015</u></u>

Included in logistics and related revenue is an amount of KD 244,787 thousand (Three months ended 31 March 2008: KD 283,916 thousand) and KD 174,563 thousand (Three months ended 31 March 2008: KD 168,810 thousand) generated by the Group from providing logistics services to commercial and government institutions respectively.