

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2009 (UNAUDITED)**



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## **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 30 September 2009 and the related interim condensed consolidated statements of income, comprehensive income for the three month and nine month periods then ended and the related interim condensed consolidated statements of cash flows and changes in shareholders’ equity for the nine 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 10(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.

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

*Qualified conclusion*

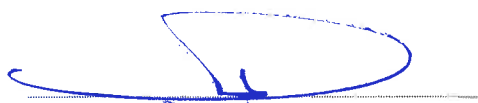
Except for the effect of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

*Emphasis of matter*

Without further qualifying our conclusion, we draw attention to the commitments and contingencies explained in note 10 (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 nine month period ended 30 September 2009 that might have had a material effect on the business of the Parent Company or on its financial position.



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10 November 2009

Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)

As at 30 September 2009

		30 September 2009 KD 000's	(Audited) 31 December 2008 KD 000's	30 September 2008 KD 000's
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		231,849	222,106	213,279
Projects in progress		59,616	55,815	49,328
Investment properties	3	214,577	212,912	210,350
Intangible assets		13,661	15,496	15,922
Goodwill		251,552	235,228	214,226
Available for sale investments	4	118,281	113,720	111,748
Other non-current assets		47,155	46,528	55,070
<b>Total non-current assets</b>		<b>936,691</b>	<b>901,805</b>	<b>869,923</b>
<b>Current assets</b>				
Inventories		70,718	73,218	71,858
Trade receivables		308,758	321,619	333,886
Other current assets		109,790	91,748	87,913
Bank balances and cash	5	348,230	253,425	260,833
<b>Total current assets</b>		<b>837,496</b>	<b>740,010</b>	<b>754,490</b>
<b>TOTAL ASSETS</b>		<b>1,774,187</b>	<b>1,641,815</b>	<b>1,624,413</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital		104,684	104,684	104,684
Share premium		152,650	152,650	152,650
Statutory reserve		52,342	52,342	47,584
Treasury shares	7	(38,426)	(48,431)	(47,075)
Treasury shares reserve		44,366	43,356	45,378
Foreign currency translation reserve		(2,150)	(28,370)	(35,749)
Hedging reserve		(16,702)	(8,954)	(1,331)
Investment revaluation reserve		(585)	(618)	(602)
Retained earnings		604,370	488,819	460,011
<b>Equity attributable to equity holders of the Parent Company</b>		<b>900,549</b>	<b>755,478</b>	<b>725,550</b>
<b>Non-controlling interests</b>		<b>16,395</b>	<b>30,921</b>	<b>32,614</b>
<b>Total equity</b>		<b>916,944</b>	<b>786,399</b>	<b>758,164</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest bearing loans	8	214,356	219,435	255,603
Bonds		-	-	28,350
Provision for employees' end of service benefits		20,611	18,124	17,677
Other non-current liabilities		41,454	32,660	32,268
<b>Total non-current liabilities</b>		<b>276,421</b>	<b>270,219</b>	<b>333,898</b>
<b>Current liabilities</b>				
Trade and other payables		393,153	374,672	363,260
Interest bearing loans	8	172,591	165,627	154,000
Bonds		-	28,795	-
Taxes payable		9,716	10,383	8,988
Dividends payable to shareholders		5,362	5,720	6,103
<b>Total current liabilities</b>		<b>580,822</b>	<b>585,197</b>	<b>532,351</b>
<b>Total liabilities</b>		<b>857,243</b>	<b>855,416</b>	<b>866,249</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,774,187</b>	<b>1,641,815</b>	<b>1,624,413</b>

  
Tarek Abdul AZIZ Sultan  
Chairman and Managing Director

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2009

	Note	Three months ended 30 September		Nine months ended 30 September	
		2009 KD 000's	2008 KD 000's	2009 KD 000's	2008 KD 000's
<b>Revenue:</b>					
Logistics and freight forwarding revenue		389,758	443,933	1,163,629	1,302,919
Rental revenue		7,646	6,177	22,822	19,344
Other services		16,145	16,379	48,133	49,422
<b>Total revenue</b>		<b>413,549</b>	<b>466,489</b>	<b>1,234,584</b>	<b>1,371,685</b>
<b>Cost of revenue</b>		<b>(257,291)</b>	<b>(310,878)</b>	<b>(767,096)</b>	<b>(910,932)</b>
<b>Net revenues</b>		<b>156,258</b>	<b>155,611</b>	<b>467,488</b>	<b>460,753</b>
<b>Operating expenses</b>					
General and administrative expenses		(38,864)	(36,921)	(115,938)	(109,528)
Salaries and employee benefits		(62,807)	(66,715)	(190,098)	(197,223)
Depreciation		(10,935)	(10,443)	(33,268)	(31,784)
Amortisation		(611)	(611)	(1,833)	(1,833)
<b>Total operating expenses</b>		<b>(113,217)</b>	<b>(114,690)</b>	<b>(341,137)</b>	<b>(340,368)</b>
<b>Profit from operations</b>		<b>43,041</b>	<b>40,921</b>	<b>126,351</b>	<b>120,385</b>
<b>Other income</b>					
Change in fair value of investment properties		-	-	-	4,072
Interest income		3,666	4,363	11,255	14,957
Miscellaneous income		276	616	1,126	1,750
<b>Total other income</b>		<b>3,942</b>	<b>4,979</b>	<b>12,381</b>	<b>20,779</b>
<b>Finance costs</b>		<b>(4,287)</b>	<b>(5,903)</b>	<b>(14,019)</b>	<b>(18,616)</b>
<b>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</b>		<b>42,696</b>	<b>39,997</b>	<b>124,713</b>	<b>122,548</b>
Income tax		(728)	(572)	(1,792)	(2,072)
Contribution to KFAS		(425)	(368)	(1,210)	(1,080)
NLST		(1,062)	(920)	(3,025)	(2,821)
Zakat		(425)	(368)	(1,210)	(1,130)
Directors' remuneration		(43)	(41)	(131)	(125)
<b>PROFIT FOR THE PERIOD</b>		<b>40,013</b>	<b>37,728</b>	<b>117,345</b>	<b>115,320</b>
Attributable to:					
Equity holders of the Parent Company		40,556	35,146	115,551	107,807
Non-controlling interests		(543)	2,582	1,794	7,513
		<b>40,013</b>	<b>37,728</b>	<b>117,345</b>	<b>115,320</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	9	<b>40.33 fils</b>	<b>33.97 fils</b>	<b>115.33 fils</b>	<b>104.77 fils</b>

The accompanying notes 1 to 13 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 (UNAUDITED)

For the period ended 30 September 2009

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>
<b>Profit for the period</b>	<b>40,013</b>	<b>37,728</b>	<b>117,345</b>	<b>115,320</b>
<b>Other comprehensive income (expense):</b>				
Foreign currency translation adjustments	1,731	(3,310)	26,462	(17,988)
Net gain (loss) on hedge of net investments (Note 8)	468	(1,331)	(8,383)	(1,331)
Net change in fair value of cash flow hedge	373	-	635	-
Net changes in fair value of available for sale investments	-	-	33	(3)
<b>Other comprehensive income (expense) for the period</b>	<b>2,572</b>	<b>(4,641)</b>	<b>18,747</b>	<b>(19,322)</b>
<b>Total comprehensive income for the period</b>	<b>42,585</b>	<b>33,087</b>	<b>136,092</b>	<b>95,998</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	43,291	31,783	134,056	88,582
Non-controlling interests	(706)	1,304	2,036	7,416
	<b>42,585</b>	<b>33,087</b>	<b>136,092</b>	<b>95,998</b>

The accompanying notes 1 to 13 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

(UNAUDITED)

For the period ended 30 September 2009

	Note	Nine months ended 30 September	
		2009 KD 000's	2008 KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit for the period before income tax, KFAS, NLST, Zakat and Directors' remuneration		124,713	122,548
Adjustments for:			
Provision for impairment of trade receivables		3,863	2,830
Provision for employees' end of service benefits		6,203	5,709
Foreign currency exchange loss (gain)		2,563	(4,368)
Depreciation		33,268	31,784
Amortisation		1,833	1,833
Change in fair value of investment properties		-	(4,072)
Interest income		(11,255)	(14,957)
Finance costs		14,019	18,616
Miscellaneous income		(1,765)	(1,750)
Operating profit before changes in working capital		173,442	158,173
Inventories		2,244	(5,738)
Trade receivables		24,479	11,863
Other current assets		(9,186)	(16,381)
Trade and other payables		7,869	6,740
Cash from operations		198,848	154,657
Income tax paid		(5,591)	(2,577)
KFAS paid		(98)	(1,726)
Directors' remuneration paid		-	(165)
Employees' end of service benefits paid		(4,678)	(3,788)
Net cash from operating activities		188,481	146,401
<b>INVESTING ACTIVITIES</b>			
Net movement in available for sale investments		(161)	(19,272)
Additions to property, plant and equipment (net of disposals)		(8,815)	(36,913)
Additions to projects in progress (net of disposals)		(30,008)	(18,741)
Additions to investment properties		(1,664)	(1,622)
Acquisition of subsidiaries, net of cash acquired		(2,290)	(7,337)
Deferred consideration paid in respect of prior period acquisition		(263)	-
Contingent consideration paid in respect of prior period acquisitions		(3,093)	(592)
Interest received		6,258	10,402
Proceeds from disposal of a subsidiary		-	557
Acquisition of additional interest in subsidiaries		(11,878)	(4,464)
Net movement in deposits with original maturities exceeding three months		(118,211)	(103,313)
Net cash used in investing activities		(170,125)	(181,295)
<b>FINANCING ACTIVITIES</b>			
Receipts from non-controlling shareholders as a result of additional share capital issued by the subsidiaries		294	3,714
Purchase of treasury shares		(5,042)	(60,446)
Proceeds from sale of treasury shares		16,057	16,250
Net movement in interest bearing loans and bonds		(43,754)	93,760
Finance cost paid		(13,109)	(15,242)
Dividends paid to shareholders of the Parent Company		(359)	(74,166)
Dividends paid to non-controlling shareholders of subsidiaries		(23)	(7,525)
Net cash used in financing activities		(45,936)	(43,655)
Foreign currency translation adjustments		4,174	(11,013)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(23,406)</b>	<b>(89,562)</b>
Cash and cash equivalents at 1 January		154,574	189,889
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	5	<b>131,168</b>	<b>100,327</b>

The accompanying notes 1 to 13 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 (UNAUDITED)**  
**For the period ended 30 September 2009**

	<i>Attributable to equity holders of the Parent Company</i>											
	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 translation 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	-	-	-	-	-	-	-	-	115,551	115,551	1,794	117,345
Other comprehensive income (expense) for the period included directly in equity	-	-	-	-	-	26,220	(7,748)	33	-	18,505	242	18,747
Total comprehensive income (expense) for the period	-	-	-	-	-	26,220	(7,748)	33	115,551	134,056	2,036	136,092
Purchase of treasury shares	-	-	-	(5,042)	-	-	-	-	-	(5,042)	-	(5,042)
Sale of treasury shares	-	-	-	15,047	1,010	-	-	-	-	16,057	-	16,057
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(16,856)	(16,856)
Issue of share capital by subsidiaries	-	-	-	-	-	-	-	-	-	-	294	294
<b>Balance at 30 September 2009</b>	<b>104,684</b>	<b>152,650</b>	<b>52,342</b>	<b>(38,426)</b>	<b>44,366</b>	<b>(2,150)</b>	<b>(16,702)</b>	<b>(585)</b>	<b>604,370</b>	<b>900,549</b>	<b>16,395</b>	<b>916,944</b>
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	-	-	-	-	-	-	-	-	107,807	107,807	7,513	115,320
Other comprehensive expense for the period included directly in equity	-	-	-	-	-	(17,891)	(1,331)	(3)	-	(19,225)	(97)	(19,322)
Total comprehensive (expense) income for the period	-	-	-	-	-	(17,891)	(1,331)	(3)	107,807	88,582	7,416	95,998
Issue of bonus shares (Note 11)	9,517	-	-	-	-	-	-	-	(9,517)	-	-	-
Dividends	-	-	-	-	-	-	-	-	(76,133)	(76,133)	(7,525)	(83,658)
Purchase of treasury shares	-	-	-	(60,446)	-	-	-	-	-	(60,446)	-	(60,446)
Sale of treasury shares	-	-	-	14,406	1,844	-	-	-	-	16,250	-	16,250
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,226)	(1,226)
Issue of share capital by subsidiaries	-	-	-	-	-	-	-	-	-	-	6,387	6,387
Effect of sale of investment in subsidiaries	-	-	-	-	-	-	-	-	398	398	(182)	216
<b>Balance at 30 September 2008</b>	<b>104,684</b>	<b>152,650</b>	<b>47,584</b>	<b>(47,075)</b>	<b>45,378</b>	<b>(35,749)</b>	<b>(1,331)</b>	<b>(602)</b>	<b>460,011</b>	<b>725,550</b>	<b>32,614</b>	<b>758,164</b>

The accompanying notes 1 to 13 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 (UNAUDITED)

At 30 September 2009

### 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 principal activities of the Group are explained in note 13.

The interim condensed consolidated financial information of Public Warehousing Company K.S.C. (the "Parent Company") and its subsidiaries (the "Group") was authorised for issue by the Parent Company's Board of Directors on 10 November 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 nine months ended 30 September 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 mentioned 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 separates owner and non owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

#### *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 13, including revised comparative information.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2009

### 3 INVESTMENT PROPERTIES

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 were cancelled by the counterparty during the year ended 31 December 2006 (Note 10(c)).

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

### 4 AVAILABLE FOR SALE INVESTMENTS

Available for sale investments amounting to KD 14,086 thousand (31 December 2008: KD 13,635 thousand and 30 September 2008: KD 13,186 thousand) are located in Kuwait. The balance of KD 104,195 thousand (31 December 2008: KD 100,085 thousand and 30 September 2008: KD 98,562 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>30 September 2009</i>	<i>(Audited) 31 December 2008</i>	<i>30 September 2008</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Cash in hand and at bank	62,822	89,593	71,630
Short term deposits	68,346	64,981	28,697
<b>Cash and cash equivalents</b>	<b>131,168</b>	<b>154,574</b>	<b>100,327</b>
Deposits with original maturities exceeding three months	217,062	98,851	160,506
	<b>348,230</b>	<b>253,425</b>	<b>260,833</b>

Included in bank balances and cash are balances amounting to KD 84,873 thousand (31 December 2008: KD 90,414 thousand and 30 September 2008: KD 193,974 thousand) held by banks in Kuwait whereas the balance of KD 263,357 thousand (31 December 2008: KD 163,011 thousand and 30 September 2008: KD 66,859 thousand) are held by foreign banks situated outside Kuwait.

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 ACQUISITION OF NON-CONTROLLING INTERESTS

On 23 June 2009, one of the subsidiaries of the Parent Company acquired the remaining 49% equity interest in Gulf Catering Company for General Trade and Contracting W.L.L. ("GCC"), a Company registered in Kuwait, for total consideration of KD 15,219 thousand. Following the acquisition of the non-controlling interest, the Group owns 100% equity interest in GCC. As a result of this transaction, an amount of KD 1,338 thousand has been recorded in the interim condensed consolidated statement of income.

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7 TREASURY SHARES

	<i>30 September 2009</i>	<i>(Audited) 31 December 2008</i>	<i>30 September 2008</i>
Number of treasury shares	<u>38,358,640</u>	<u>47,443,640</u>	<u>42,448,640</u>
Percentage of issued shares	<u>3.66%</u>	<u>4.53%</u>	<u>4.06%</u>
Market value in KD 000's	<u>48,332</u>	<u>29,415</u>	<u>35,232</u>
Cost in KD 000's	<u>38,426</u>	<u>48,431</u>	<u>47,075</u>

8 INTEREST BEARING LOANS

	<i>30 September 2009 KD 000's</i>	<i>(Audited) 31 December 2008 KD 000's</i>	<i>30 September 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.	150,434	144,848	140,175
Loan of SGD 298,000 thousand obtained from a foreign bank in May 2008 and is repayable in November 2009.	61,141	51,925	50,852
Loan of US\$ 100,000 thousand obtained from a foreign bank in April 2008 and is repayable in April 2012.	28,668	27,590	26,700
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	50,000
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.	59,203	68,975	66,750
Loan of US\$ 60,000 thousand borrowed from a foreign bank in 2003 and is repayable in quarterly instalments commencing from September 2005.	4,298	9,738	8,010
Loan of US\$ 75,000 thousand obtained from a foreign bank in October 2008 and is repayable in October 2009.	23,119	20,689	-
Other loans	<u>35,084</u>	<u>36,297</u>	<u>67,116</u>
	<u>386,947</u>	<u>385,062</u>	<u>409,603</u>

Floating interest rate loans amounting to KD 386,947 thousand (31 December 2008: KD 385,062 thousand and 30 September 2008: KD 409,603 thousand) carry interest margin ranging from 0.65% to 2.75% per annum over LIBOR.

Included in interest bearing loans are loans amounting to KD 15,638 thousand (31 December 2008: KD 11,465 thousand and 30 September 2008: KD 23,114 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 7,000 thousand (31 December 2008: KD 8,500 thousand and 30 September 2008: KD 9,000 thousand) relating to a subsidiary, Global Clearing House Systems K.S.C. (Closed) on a non-recourse basis. The net worth of this subsidiary at 30 September 2009 is negative KD 7,451 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 25,213 thousand have been pledged as collateral against this loan.

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**8 INTEREST BEARING LOANS (continued)**

*Hedge of net investments in foreign operations*

Included in interest bearings loans at 30 September 2009 were certain 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 8,383 thousand (Nine months ended 30 September 2008: KD 1,331) were taken directly to equity (Hedging reserve).

**9 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 (total number of shared issued less weighted average number of treasury shares) during the period as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>KD 000's</i>	<i>KD 000's</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>40,556</u>	<u>35,146</u>	<u>115,551</u>	<u>107,807</u>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Number of shares issued	1,046,836,709	1,046,836,709	1,046,836,709	1,046,836,709
Weighted average number of treasury shares	<u>(41,147,852)</u>	<u>(12,329,776)</u>	<u>(44,893,805)</u>	<u>(17,798,872)</u>
Weighted average number of shares outstanding	<u>1,005,688,857</u>	<u>1,034,506,933</u>	<u>1,001,942,904</u>	<u>1,029,037,837</u>
Basic and diluted earnings per share	<u>40.33 fils</u>	<u>33.97 fils</u>	<u>115.33 fils</u>	<u>104.77 fils</u>

**10 COMMITMENTS AND CONTINGENCIES**

The Group has contingent liabilities and capital commitments as follows:

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2009</i>	<i>31 December</i>	<i>2008</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Letters of guarantee and documentary letters of credit	72,730	52,216	129,349
Operating lease commitments	32,714	24,470	29,264
Capital commitments	13,838	9,652	2,694
	<u>119,282</u>	<u>86,338</u>	<u>161,307</u>

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

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**10 COMMITMENTS AND CONTINGENCIES (continued)**

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 30 September 2009 is negative KD 7,451 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 statement of income.

**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.

As at 30 September 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 30 September 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 Ministry of Trade and Industry filed an appeal against this ruling in Supreme court which is yet to give its decision.

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. The Ministry of Trade and Industry filed an appeal against this ruling in Supreme Court, which is yet to give its decision.

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.

At 30 September 2009

**10 COMMITMENTS AND CONTINGENCIES (continued)**

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 nine months ended 30 September 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.

*(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.

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**11 DIVIDENDS AND BONUS SHARES**

On 20 May 2009, the shareholders at the annual general assembly of the Parent Company, approved the consolidated financial statements for the year ended 31 December 2008 and approved that neither cash dividend (2007: cash dividend of 80 fils per share) nor bonus shares (2007: bonus shares at 10% equivalent to 10 shares per 100 shares held) should be paid for the year ended 31 December 2008.

**12 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.

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>Nine months ended 30 September 2009 KD 000's</i>	<i>(Audited) Year ended 31 December 2008 KD 000's</i>	<i>Nine months ended 30 September 2008 KD 000's</i>
<b>Interim condensed consolidated statement of income</b>					
Purchases (net of discounts)	-	34,889	<b>34,889</b>	44,501	33,094
<b>Interim condensed consolidated statement of financial position</b>					
Amounts due to related parties	83	30,783	<b>30,866</b>	16,610	9,683

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>Nine month ended</i>	
	<i>30 September 2009 KD 000's</i>	<i>30 September 2008 KD 000's</i>
Short-term benefits	<b>1,841</b>	1,538
Employees' end of service benefits	<b>130</b>	115
Share-based payments	<b>1,800</b>	2,925
	<b>3,771</b>	4,578

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**13 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.

**Business segments**

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

<b>Nine months ended 30 September 2009</b>	<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>
<b>Revenue</b>				
Revenue from external customers	1,185,472	49,112	-	<b>1,234,584</b>
Inter-segmental revenue	84,600	6,484	(91,084)	-
<b>Total revenue</b>	<u>1,270,072</u>	<u>55,596</u>	<u>(91,084)</u>	<u><b>1,234,584</b></u>
<b>Results</b>				
Segment results	<u>122,157</u>	<u>7,259</u>	<u>(3,065)</u>	<b>126,351</b>
Miscellaneous income				<b>1,126</b>
Interest income				<b>11,255</b>
Finance costs				<b>(14,019)</b>
Profit before taxes and directors' remuneration				<b>124,713</b>
Taxes and directors' remuneration				<b>(7,368)</b>
<b>Profit for the period</b>				<u><b>117,345</b></u>

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13 SEGMENT INFORMATION (continued)

Nine months ended 30 September 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				
Revenue from external customers	1,319,606	56,151	-	1,375,757
Inter-segmental revenue	79,385	5,098	(84,483)	-
Total revenue	<u>1,398,991</u>	<u>61,249</u>	<u>(84,483)</u>	<u>1,375,757</u>
Results				
Segment results	<u>108,870</u>	<u>11,934</u>	<u>3,653</u>	124,457
Miscellaneous income				1,750
Interest income				14,957
Finance costs				<u>(18,616)</u>
Profit before taxes and directors' remuneration				122,548
Taxes and directors' remuneration				<u>(7,228)</u>
Profit for the period				<u>115,320</u>

Included in logistics and related revenue is an amount of KD 739,523 thousand (Nine months ended 30 September 2008: KD 891,416 thousand) and KD 530,549 thousand (Nine months ended 30 September 2008: KD 507,575 thousand) generated by the Group from providing logistics services to commercial and government institutions respectively.