

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

PERIOD ENDED 31 MARCH 2010 (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 31 March 2010 and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, cash flows and changes in equity 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 11(d) 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, 2008 and 2009. During the year ended 31 December 2009, the expert department of the Ministry of Justice issued a report on this matter which stated that the verdict should be issued 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, as more fully explained in Note 2 to the interim condensed consolidated financial information, the Parent Company was indicted by a federal grand jury in the United States on multiple counts of False Claims Act Violations. Furthermore, the United States Department of Justice also joined a civil qui tam lawsuit against the Parent Company under the False Claims Act. The indictment also includes certain subsidiaries of the Parent Company which were included in the indictment by the United States Department of Justice subsequent to the interim reporting date. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings. Certain Group Companies (including the Parent Company) are suspended from bidding for new contracts or renewing the existing contracts with the US Government pending the outcome of the lawsuit. The Group generates a substantial portion of its business from the US Government contracts. Prolonged suspension could have a material impact on the Group's government related business. The Group is engaged in settlement discussions with the US Department of Justice. The ultimate outcome of the matters set out above cannot presently be determined, and therefore no provision has been made in the interim condensed consolidated financial information.

Furthermore, we draw attention to the contingencies relating to investigation into the freight forwarding business and termination of lease agreements, as fully explained in Note 11 (a) and (b) respectively, 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, we have not become aware of any material violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the Parent Company during the period ended 31 March 2010 that might have had a material effect on the business of the Parent Company or on its financial position.

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Member of RSM International

15 May 2010

Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010 (Unaudited)

		31 March 2010	(Audited) 31 December 2009	31 March 2009
	<i>Notes</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
ASSETS				
Non-current assets				
Property, plant and equipment		261,241	256,818	224,187
Projects in progress		44,054	44,446	61,751
Investment properties	4	214,216	214,149	213,163
Intangible assets		12,437	13,051	14,884
Goodwill		268,731	267,097	246,406
Financial assets available for sale	5	120,520	120,052	120,214
Other non-current assets		45,970	48,762	48,294
Total non-current assets		967,169	964,375	928,899
Current assets				
Inventories		50,994	66,345	70,729
Trade receivables		330,436	340,456	295,526
Other current assets		101,475	98,824	104,619
Bank balances and cash	6	363,087	314,173	323,066
Total current assets		845,992	819,798	793,940
TOTAL ASSETS		1,813,161	1,784,173	1,722,839
EQUITY AND LIABILITIES				
EQUITY				
Share capital		104,684	104,684	104,684
Share premium		152,650	152,650	152,650
Statutory reserve		52,342	52,342	52,342
Treasury shares	7	(39,627)	(39,627)	(47,835)
Treasury shares reserve		44,366	44,366	42,630
Foreign currency translation reserve		2,630	(1,166)	(808)
Hedging reserve		(18,531)	(16,947)	(21,274)
Investment revaluation reserve		(583)	(584)	(621)
Retained earnings		662,834	645,246	525,771
Equity attributable to equity holders of the Parent Company		960,765	940,964	807,539
Non controlling interests		10,615	11,972	32,920
Total equity		971,380	952,936	840,459
LIABILITIES				
Non-current liabilities				
Interest bearing loans	8	260,916	258,596	229,152
Provision for employees' end of service benefits		20,218	20,623	18,811
Other non-current liabilities		47,439	45,977	33,215
Total non-current liabilities		328,573	325,196	281,178
Current liabilities				
Trade and other payables		412,587	406,212	394,320
Interest bearing loans	8	95,189	94,357	171,654
Bonds		-	-	29,588
Dividends payable to equity holders		5,432	5,472	5,640
Total current liabilities		513,208	506,041	601,202
Total liabilities		841,781	831,237	882,380
TOTAL EQUITY AND LIABILITIES		1,813,161	1,784,173	1,722,839


Tarek Abdul Aziz Sultan
Chairman and Managing Director

The attached notes 1 to 14 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 period ended 31 March 2010 (Unaudited)

	<i>Note</i>	<i>Three months ended 31 March</i>	
		<i>2010 KD 000's</i>	<i>2009 KD 000's</i>
Revenues			
Logistics and freight forwarding revenues		380,454	384,245
Rental revenues		7,678	7,537
Other services		14,994	15,616
Total revenues		403,126	407,398
Cost of revenues		(275,644)	(252,977)
Net revenues		127,482	154,421
Operating expenses			
General and administrative expenses		(34,833)	(36,235)
Salaries and employee benefits		(62,317)	(64,874)
Depreciation		(10,770)	(11,287)
Amortisation		(611)	(611)
Total operating expenses		(108,531)	(113,007)
Profit from operations		18,951	41,414
Other income (expense)			
Interest income		2,871	4,213
Miscellaneous expense (net)		(499)	(134)
Total other income		2,372	4,079
Finance costs		(3,060)	(5,058)
Profit for the period before taxation and Directors' remuneration		18,263	40,435
Taxation	9	(1,366)	(2,080)
Directors' remuneration		(42)	(44)
PROFIT FOR THE PERIOD		16,855	38,311
Attributable to:			
Equity holders of the Parent Company		17,588	36,952
Non controlling interests		(733)	1,359
		16,855	38,311
BASIC AND DILUTED EARNINGS PER SHARE	10	17.46 fils	36.96 fils

The attached notes 1 to 14 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 period ended 31 March 2010 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period	16,855	38,311
Other comprehensive income:		
Foreign currency translation adjustments	3,672	27,994
Net loss on hedge of net investments (Note 8)	(1,584)	(12,450)
Net change in fair value of cash flow hedge	-	130
Net changes in fair value of financial assets available for sale	1	(3)
Other comprehensive income	2,089	15,671
Total comprehensive income for the period	18,944	53,982
Attributable to:		
Equity holders of the Parent Company	19,801	52,191
Non controlling interests	(857)	1,791
	18,944	53,982

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 March 2010 (Unaudited)

		Three months ended 31 March	
	Note	2010 KD 000's	2009 KD 000's
OPERATING ACTIVITIES			
Profit for the period before taxation and Directors' remuneration		18,263	40,435
Adjustments for:			
(Reversal of) provision for impairment of trade receivables		(193)	1,291
Provision for employees' end of service benefits		2,524	2,138
Foreign currency exchange gain		(1,025)	(1,274)
Depreciation		10,770	11,287
Amortisation		611	611
Provision for share linked compensation and incentive plans		1,200	1,950
Interest income		(2,871)	(4,213)
Finance costs		3,060	5,058
Miscellaneous income		(52)	(251)
Operating profit before changes in working capital		32,287	57,032
Inventories		15,389	2,711
Trade receivables		5,717	32,483
Other current assets		110	(7,783)
Trade and other payables		11,459	(759)
Cash from operations		64,962	83,684
Taxation paid		(658)	(743)
Payment made against share linked compensation and incentive plans		(31)	(190)
Employees' end of service benefits paid		(2,272)	(1,681)
Net cash from operating activities		62,001	81,070
INVESTING ACTIVITIES			
Net movement in financial assets available for sale		365	-
Additions to property, plant and equipment, net of disposals		(7,548)	(7,510)
Additions to projects in progress		(2,393)	(3,633)
Disposal of investment properties		(67)	(251)
Deferred consideration paid in respect of prior period acquisitions		(4,522)	-
Proceeds from disposal of a subsidiary		(345)	-
Acquisition of additional interest in subsidiaries		-	(85)
Interest income received		3,636	770
Net movement in deposits with original maturities exceeding three months		(49,852)	(5,480)
Net cash used in investing activities		(60,726)	(16,189)
FINANCING ACTIVITIES			
Receipt from minority shareholders as a result of additional share capital issued by the subsidiaries		-	293
Purchase of treasury shares		-	(1,583)
Proceeds from sale of treasury shares		-	1,453
Net movement in interest bearing loans		219	(1,224)
Finance cost paid		(2,530)	(4,582)
Dividends paid to equity holders of the Parent Company		(40)	(82)
Net cash used in financing activities		(2,351)	(5,725)
Net foreign exchange differences		138	5,005
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(938)	64,161
Cash and cash equivalents at 1 January		125,846	154,574
CASH AND CASH EQUIVALENTS AT 31 MARCH	6	124,908	218,735

The attached notes 1 to 14 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 EQUITY

For the period ended 31 March 2010 (Unaudited)

	Attributable to equity holders of the Parent Company									
	Foreign							Non controlling interests		
	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	Hedging reserve KD 000's	Investment revaluation reserve KD 000's	Retained earnings KD 000's	Sub total KD 000's	
As at 1 January 2010	104,684	152,650	52,342	(39,627)	44,366	(1,166)	(584)	645,246	940,964	11,972
Profit for the period	-	-	-	-	-	-	-	17,588	17,588	(733)
Other comprehensive income	-	-	-	-	-	3,796	1	-	2,213	(124)
Total comprehensive income for the period	-	-	-	-	-	3,796	1	17,588	19,801	(857)
Disposal of investment in subsidiaries	-	-	-	-	-	-	-	-	-	(500)
At 31 March 2010	104,684	152,650	52,342	(39,627)	44,366	(1,531)	(583)	662,834	960,765	10,615
As at 1 January 2009	104,684	152,650	52,342	(48,431)	43,356	(8,954)	(618)	488,819	755,478	30,921
Profit for the period	-	-	-	-	-	-	-	36,952	36,952	1,359
Other comprehensive income	-	-	-	-	-	(12,320)	(3)	-	15,239	432
Total comprehensive income for the period	-	-	-	-	-	(12,320)	(3)	36,952	52,191	1,791
Sale of treasury shares	-	-	-	2,179	(726)	-	-	-	1,453	-
Purchase of treasury shares	-	-	-	(1,583)	-	-	-	-	(1,583)	-
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	(85)
Issue of share capital by subsidiaries	-	-	-	-	-	-	-	-	-	293
At 31 March 2009	104,684	152,650	52,342	(47,835)	42,630	(21,274)	(621)	525,771	807,539	32,920
										840,459

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

At 31 March 2010 (Unaudited)

1 CORPORATE INFORMATION

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

The 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 15 May 2010.

2 SUBSISTENCE PRIME VENDOR AND OTHER CONTRACTS - 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 ("SPV") Contract. In addition, some employees of the Group were served with civil investigative demands. The Parent Company cooperated with this investigation and produced numerous records in response to this request.

On 16 November 2009, the Parent Company was indicted by a federal grand jury in United States on multiple counts of False Claims Act violations. Furthermore, The United States Department of Justice also joined the civil qui tam lawsuit against the Parent Company under the US False Claims Act. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings.

As a result of this indictment, certain Group companies (including the Parent Company) are suspended from bidding for new contracts or renewing the existing contracts with the US Government pending the outcome of the cases. However, the suspension does not affect continued performance of the existing contracts. Prolonged suspension could have a material impact on the Group's government related business and may result in the associated assets being impaired. The existing SPV Contract will expire in December 2010 and is unlikely to be renewed as the US Government has awarded the new SPV contract to another party.

The Parent Company is in discussions with the US Government with a view to resolving the current legal cases with the US Department of Justice. However, there is no guarantee that the parties can reach a mutually agreeable settlement. Further, subsequent to the interim reporting date, certain subsidiaries of the Parent Company were also included in the indictment.

In addition, the US Department of Justice is currently conducting an informal investigation regarding two cost reimbursable US Government contracts in order to ascertain whether reimbursement requests for certain costs incurred by the Parent Company were proper.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

At 31 March 2010 (Unaudited)

3 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 consolidated 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 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010. For more details please refer to the consolidated financial statements for the year ended 31 December 2009.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") and all values are rounded to the nearest KD thousand except when otherwise indicated.

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 2009, except for the adoption of the following new standards effective from 1 January 2010:

IFRS 3: Business Combinations (Revised) (IFRS 3R)

IFRS 3R introduces significant changes in the accounting for business combinations occurring after the effective date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27: Consolidated and separate financial statements (Revised) (IAS 27R)

IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

Application of the above standards did not have any impact on the interim condensed consolidated financial information of the Group.

4 INVESTMENT PROPERTIES

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

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

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 previous periods). This property is subject to ongoing litigation arising from a claim filed by and 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 11 (b)).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

At 31 March 2010 (Unaudited)

5 FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale are carried at cost due to the non availability of reliable measures of their fair values. The Parent Company's management has performed a detailed review of its unquoted financial assets to assess whether impairment has occurred in the value of these investments due to the impact of the global financial crisis. In the opinion of Group, based on currently available information, there is no evidence of impairment in the value of these unquoted securities.

Financial assets available for sale amounting to KD 14,219 thousand (31 December 2009: KD 14,100 thousand and 31 March 2009: KD 14,319 thousand) are located in Kuwait. The balance of KD 106,301 thousand (31 December 2009: KD 105,952 thousand and 31 March 2009: KD 105,895 thousand) are located outside Kuwait.

6 BANK BALANCES AND CASH

	<i>31 March 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>31 March 2009 KD 000's</i>
Cash at banks and in hand	66,184	61,071	93,228
Short term deposits	58,724	64,775	125,507
Cash and cash equivalents	124,908	125,846	218,735
Deposits with original maturities exceeding three months	238,179	188,327	104,331
	363,087	314,173	323,066

Included in bank balances and cash are balances amounting to KD 187,681 thousand (31 December 2009: KD 76,439 thousand and 31 March 2009: KD 74,438 thousand) held by banks in Kuwait whereas the balance of KD 175,406 thousand (31 December 2009: KD 237,734 thousand and 31 March 2009: KD 248,628 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 (deposits with original maturities exceeding three months) earn interest ranging from 2% to 6.2% per annum (31 December 2009: 3.7 % to 6.3 % per annum and 31 March 2009: 4.5% to 7.7% per annum).

7 TREASURY SHARES

	<i>31 March 2010</i>	<i>(Audited) 31 December 2009</i>	<i>31 March 2009</i>
Number of treasury shares	39,358,640	39,358,640	47,903,640
Percentage of issued shares	3.76%	3.76%	4.58%
Market value in KD 000's	23,222	22,434	30,179
Cost in KD 000's	39,627	39,627	47,835

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

At 31 March 2010 (Unaudited)

8 INTEREST BEARING LOANS

	<i>31 March 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>31 March 2009 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.	151,657	150,596	153,169
Loan of SGD 298,000 thousand obtained from a foreign bank in May 2008 and is repayable in October 2011.	58,166	57,716	52,321
Loan of US\$ 100,000 thousand obtained from a foreign bank in April 2008 and is repayable in instalments commencing from October 2009.	23,110	22,948	29,175
Loan of KD 100,000 thousand obtained from a local bank in October 2007 which was repaid in 2009.	-	-	25,000
Loan of US\$ 234,160 thousand obtained from a local bank in October 2007 and is repayable in semi-annual instalments commencing from June 2009.	51,726	51,364	68,316
Loan of US\$ 60,000 thousand obtained from a foreign bank in 2004 and the final amount as at 31 March 2010 is repayable in July 2010.	4,333	4,303	5,406
Loan of US\$ 75,000 thousand obtained from a foreign bank in October 2008 and is repayable in September 2010.	21,665	21,513	21,881
Other loans	45,448	44,513	45,538
	<u>356,105</u>	<u>352,953</u>	<u>400,806</u>

Floating interest rate loans amounting to KD 346,589 thousand (31 December 2009: KD 341,616 thousand and 31 March 2009: KD 400,806 thousand) carry margin ranging from 0.9% to 2.75% per annum (31 December 2009: 0.65% to 2.75% and 31 March 2009: 0.65% to 2.75%) 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 2010	<u>95,189</u>	<u>260,916</u>	<u>356,105</u>
Balance at 31 December 2009 <i>(Audited)</i>	<u>94,357</u>	<u>258,596</u>	<u>352,953</u>
Balance at 31 March 2009	<u>171,654</u>	<u>229,152</u>	<u>400,806</u>

Included in interest bearing loans are loans amounting to KD 13,311 thousand (31 December 2009: KD 12,846 thousand and 31 March 2009: KD 11,752 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

At 31 March 2010 (Unaudited)

8 INTEREST BEARING LOANS (continued)

Included in interest bearing loans is an amount of KD 6,000 thousand (31 December 2009: KD 6,500 thousand and 31 March 2009: KD 8,000 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 2010 is negative KD 38,806 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 reporting date. Certain assets of the subsidiary amounting to KD 27,225 thousand have been pledged as collateral against this loan.

Hedge of net investments in foreign operations

Included in interest bearings loans at 31 March 2010 are 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 translation of interest bearings loans are transferred to other comprehensive income 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 1,584 thousand (31 March 2009: KD 12,450 thousand) were taken directly to other comprehensive income (Hedging reserve).

9 TAXATION

	<i>Three months ended 31 March</i>	
	<i>2010</i> <i>KD 000's</i>	<i>2009</i> <i>KD 000's</i>
National labour support tax (NLST)	460	966
Kuwait Foundation for the Advancement of Sciences (KFAS)	184	348
Zakat	184	387
Taxation on overseas subsidiaries	538	379
	<u>1,366</u>	<u>2,080</u>

10 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 shares outstanding during the period as follows:

	<i>Three months ended 31 March</i>	
	<i>2010</i> <i>KD 000's</i>	<i>2009</i> <i>KD 000's</i>
Profit for the period attributable to equity holders of the Parent Company	<u>17,588</u>	<u>36,952</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of paid up shares	1,046,836,709	1,046,836,709
Weighted average number of treasury shares	(39,358,640)	(46,976,973)
Weighted average number of outstanding shares	<u>1,007,478,069</u>	<u>999,859,736</u>
Basic and diluted earnings per share	<u>17.46 fils</u>	<u>36.96 fils</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

At 31 March 2010 (Unaudited)

11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>31 March</i>	<i>(Audited)</i>	
	<i>2010</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD 000's</i>	<i>2009</i>	<i>2009</i>
		<i>KD 000's</i>	<i>KD 000's</i>
Letters of guarantee	85,027	87,348	76,545
Operating lease commitments	45,988	44,462	29,775
Capital commitments	10,169	12,177	13,526
	<u>141,184</u>	<u>143,987</u>	<u>119,846</u>

Capital commitments mainly relate to the construction of warehouses 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 2010 is negative KD 38,806 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 interim condensed consolidated income statement.

Legal claims

(a) 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.

In July 2009, a subsidiary was named as a defendant in a class action lawsuit filed in the Eastern District of New York, along with a number of other freight forwarding companies, regarding surcharges and fees for services. In November 2009, the defendants filed motions to dismiss the claims that are currently pending before the court. The ultimate outcome of this litigation is uncertain at this time.

On 26 November 2009 the Italian competition authority (ICA) opened an investigation into the activities of some 20 freight forwarding companies. The existence of the Italian investigation is recorded in a decision by the ICA opening formal proceedings and naming Agility. Those allegations will need to be formally confirmed by the ICA in due course in a statement of objections.

In February 2010, the European Commission issued a Statement of Objections ("SO") to the Parent Company and two of its subsidiaries. The SO alleges that certain infringements of EU competition law were committed by the subsidiaries. The Commission's final decision is not expected until late 2010 or 2011.

As at 31 March 2010, due to inherent uncertainty surrounding these investigations, the Group's management (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigations and in view of the difficulty in quantifying any potential liabilities in this regard, no provision is recorded in the accompanying interim condensed consolidated financial information.

The Public Warehousing Company K.S.C. and Subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(b) 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. The Ministry filed an appeal at the Supreme Court on which the Supreme Court issued a ruling on 4 May 2010, rejecting the Ministry's appeal and confirming the previous ruling in favor of the Parent Company.

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 contracts 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 Cession, 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 during the period.

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 has filed an appeal against this rule and it is not settled yet. As a result of the ruling The Parent Company has taken back the project and commenced operating it.

(c) 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.

The Supreme Court of Kuwait through its rulings on 7 January 2008, and 20 April 2010 pronounced its judgments in favour of the Parent Company confirming that the third party is not entitled to any rights or profits from Prime Vendor Contract and that the partnership agreement between the Parent Company and the third party is not legally enforceable and is void.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

At 31 March 2010 (Unaudited)

11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(d) Guarantee encashment

A Resolution was issued by the General Administration of Customs for Kuwait ("GAC") to cash a portion, amounting to KD 10,092 thousand of the bank guarantee submitted by Global Clearing House Systems K.S.C. (Closed) (the "Company"), a subsidiary of the Parent Company, in favour of GAC 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%. In 2009, the Company 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 in the near future and, accordingly, no expense should be recorded in the 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.

12 PROPOSED DIVIDEND

On 10 April 2010, the Board of Directors of the Parent Company recommended cash dividend of 40 fils per share for the year ended 31 December 2009. This proposal is subject to approval by the shareholders of the Parent Company at the annual general meeting.

13 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:

				(Audited)	
	Major	Other related	Three months	Year ended 31	Three months
	shareholders	parties	ended 31	December	ended 31
	KD 000's	KD 000's	March 2010	2009	March 2009
			KD 000's	KD 000's	KD 000's
Interim condensed consolidated income statement					
Purchases (net of discounts)	-	10,428	10,428	46,742	10,090
Interim condensed consolidated statement of financial position					
Amounts due to related parties	78	27,357	27,435	26,920	17,311

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

At 31 March 2010 (Unaudited)

13 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	<i>Three month ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Short-term benefits	650	650
Share-based payments	600	975
	<u>1,250</u>	<u>1,625</u>

14 OPERATING SEGMENT INFORMATION

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

Logistics and Related Services:

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

Infrastructure:

The Infrastructure segment provides other services which include but not limited to trade facilitation, real-estate and private equity projects.

Three months ended 31 March 2010	<i>Logistics and related services KD 000's</i>	<i>Infrastructure KD 000's</i>	<i>Adjustments and eliminations KD 000's</i>	<i>Consolidated KD 000's</i>
Revenue				
External customers	385,747	17,379	-	403,126
Inter-segment	25,394	3,860	(29,254)	-
Total revenue	<u>411,141</u>	<u>21,239</u>	<u>(29,254)</u>	<u>403,126</u>
Results				
Segment profit	<u>16,668</u>	<u>5,270</u>	<u>(2,987)</u>	18,951
Other expenses				(499)
Interest income				2,871
Finance costs				(3,060)
Profit before taxation and directors' remuneration				<u>18,263</u>
Taxation and directors' remuneration				<u>(1,408)</u>
Profit for the period				<u>16,855</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

At 31 March 2010 (Unaudited)

14 OPERATING SEGMENT INFORMATION (continued)

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>Consolidated KD 000's</i>
Revenue				
External customers	391,087	16,311	-	407,398
Inter-segment	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 profit	<u>41,181</u>	<u>1,681</u>	<u>(1,448)</u>	<u>41,414</u>
Other expenses				(134)
Interest income				4,213
Finance costs				<u>(5,058)</u>
Profit before taxation and directors' remuneration				40,435
Taxation and directors' remuneration				<u>(2,124)</u>
Profit for the period				<u>38,311</u>

Included in logistics and related revenue is an amount of KD 279,418 thousand (Three months ended 31 March 2009: KD 244,787 thousand) and KD 131,723 thousand (Three months ended 31 March 2009: KD 174,563 thousand) generated by the Group from providing logistics services to commercial and government institutions respectively.