

Gulf Warehousing Company Q.S.C.
Condensed consolidated interim financial information
30 June 2014

Gulf Warehousing Company Q.S.C.

Condensed consolidated interim financial information

30 June 2014

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Independent auditors' report on review of condensed consolidated interim financial information to the board of directors of Gulf Warehousing Company Q.S.C.

Introduction

We have reviewed the accompanying 30 June 2014 condensed consolidated interim financial information of Gulf Warehousing Company Q.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2014;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three and six month periods ended 30 June 2014;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2014;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2014; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 – "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 – "*Interim Financial Reporting*".

Other matter

The Group's comparative consolidated audited financial statements as at and for the year ended 31 December 2013, and comparative reviewed condensed consolidated interim financial statements as at and for the three and six month periods ended 30 June 2013 were audited / reviewed by another auditor, whose audit report dated 19 January 2014 / review report dated 21 July 2013, expressed an unqualified audit opinion / review conclusion thereon, respectively.

20 July 2014
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No.251

Gulf Warehousing Company Q.S.C.

Condensed consolidated statement of financial position
As at 30 June 2014

In Qatari Riyals

	Note	30 June 2014 (Reviewed)	31 December 2013 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		959,701,624	931,424,667
Projects in progress	5	429,201,944	256,146,536
Investment properties		131,971,562	131,971,562
Intangible assets		138,063,611	141,387,018
Total non-current assets		<u>1,658,938,741</u>	<u>1,460,929,783</u>
Current assets			
Inventories		8,151,293	8,792,545
Trade and other receivables		230,016,173	234,947,594
Cash and bank balances	6	129,450,479	174,804,478
Total current assets		<u>367,617,945</u>	<u>418,544,617</u>
TOTAL ASSETS		<u>2,026,556,686</u>	<u>1,879,474,400</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	7	475,609,750	475,609,750
Legal reserve	8	231,517,414	231,517,414
Retained earnings		96,085,058	99,763,863
Equity attributable to the owners of the Company		803,212,222	806,891,027
Non-controlling interest		(3,681,223)	(3,681,223)
Total equity		<u>799,530,999</u>	<u>803,209,804</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	10	996,983,525	771,567,746
Employees' end of service benefits		16,102,566	13,258,297
Total non-current liabilities		<u>1,013,086,091</u>	<u>784,826,043</u>
Current liabilities			
Trade payables and accruals		106,668,626	97,187,017
Loans and borrowings	10	65,737,055	165,397,714
Retention payable		41,533,915	28,853,822
Total current liabilities		<u>213,939,596</u>	<u>291,438,553</u>
Total liabilities		<u>1,227,025,687</u>	<u>1,076,264,596</u>
TOTAL EQUITY AND LIABILITIES		<u>2,026,556,686</u>	<u>1,879,474,400</u>

This condensed consolidated interim financial information was approved by the Board of Directors on 20 July 2014 and was signed on its behalf by:

Sheikh Fahad Hamad J J Al Thani
Chairman

Ranjeev Menon
Group Chief Executive Officer

The accompanying notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

Gulf Warehousing Company Q.S.C.

Condensed consolidated statement of profit or loss and other comprehensive income

For the three and six month periods ended 30 June 2014

In Qatari Riyals

	Note	For the three month period ended		For the six month period ended	
		30 June 2014 (Reviewed)	30 June 2013 (Reviewed)	30 June 2014 (Reviewed)	30 June 2013 (Reviewed)
Revenue	12	181,721,055	131,717,945	334,621,014	261,400,434
Direct costs	13	(117,490,612)	(78,822,733)	(216,417,983)	(166,160,924)
Gross profit		<u>64,230,443</u>	<u>52,895,212</u>	<u>118,203,031</u>	<u>95,239,510</u>
Other income		131,802	459,775	177,253	459,775
General and administrative expenses		(7,484,873)	(6,061,034)	(15,001,129)	(13,616,477)
Staff costs		(8,925,017)	(9,515,540)	(17,744,677)	(18,055,250)
Net impairment loss on trade receivables		(460,000)	(225,000)	(760,000)	(750,000)
Operating profit		<u>47,492,355</u>	<u>37,553,413</u>	<u>84,874,478</u>	<u>63,277,558</u>
Finance income		51,935	178,865	153,910	235,898
Finance costs		(8,785,085)	(6,467,130)	(17,365,730)	(12,037,688)
Profit for the period		<u>38,759,205</u>	<u>31,265,148</u>	<u>67,662,658</u>	<u>51,475,768</u>
Profit for the period:					
Owners of the Company		38,759,205	31,434,733	67,662,658	52,084,495
Non-controlling interests		-	(169,585)	-	(608,727)
Profit for the period		<u>38,759,205</u>	<u>31,265,148</u>	<u>67,662,658</u>	<u>51,475,768</u>
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		<u>38,759,205</u>	<u>31,265,148</u>	<u>67,662,658</u>	<u>51,475,768</u>
Basic and diluted earnings per share	14	<u>0.81</u>	<u>0.66</u>	<u>1.42</u>	<u>1.10</u>

The accompanying notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

Gulf Warehousing Company Q.S.C.

Condensed consolidated statement of changes in equity
For the six month period ended 30 June 2014

In Qatari Riyals

	Share capital	Legal reserve	Retained earnings	Equity attributable to the owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2013 (Audited)	396,341,460	221,354,861	90,109,816	707,806,137	(607,048)	707,199,089
<i>Total comprehensive income for the period</i>						
Profit / (loss) for the period	-	-	52,084,495	52,084,495	(608,727)	51,475,768
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	52,084,495	52,084,495	(608,727)	51,475,768
Bonus shares issued (Note 7)	79,268,290	-	(79,268,290)	-	-	-
Balance at 30 June 2013 (Reviewed)	475,609,750	221,354,861	62,926,021	759,890,632	(1,215,775)	758,674,857
Balance at 1 January 2014 (Audited)	475,609,750	231,517,414	99,763,863	806,891,027	(3,681,223)	803,209,804
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	67,662,658	67,662,658	-	67,662,658
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	67,662,658	67,662,658	-	67,662,658
Dividends (Note 9)	-	-	(71,341,463)	(71,341,463)	-	(71,341,463)
Balance at 30 June 2014 (Reviewed)	475,609,750	231,517,414	96,085,058	803,212,222	(3,681,223)	799,530,999

The accompanying notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

Gulf Warehousing Company Q.S.C.

Condensed consolidated statement of cash flows

For the six month period ended 30 June 2014

In Qatari Riyals

	Note	For the six month period ended	
		30 June 2014 (Reviewed)	30 June 2013 (Reviewed)
Cash flows from operating activities			
Profit for the period		67,662,658	51,475,768
Adjustments for:			
Depreciation		34,393,872	26,082,477
Amortisation of intangible assets		3,323,407	3,323,407
Impairment of trade receivables (net)		760,000	750,000
Loss on disposal of property, plant and equipment		(225,660)	1,027
Provision for employees' end of service benefits		3,460,160	2,343,134
Finance income		(153,910)	(235,898)
Finance costs		17,365,730	12,037,688
Operating cash flows before working capital changes		126,586,257	95,777,603
Change in:			
Inventories		641,252	2,020,202
Trade and other receivables		4,171,421	16,798,582
Trade payables and accruals		9,481,609	6,669,533
Retention payable		12,680,093	(1,026,929)
Cash generated from operating activities		115,932,260	120,238,991
Employees' end of service benefits paid		(615,891)	(1,669,995)
Finance costs paid		(17,365,730)	(12,037,688)
Net cash from operating activities		135,579,011	106,531,308
Cash flows from investing activities			
Purchase of property, plant and equipment		(21,687,808)	(13,870,110)
Proceeds from disposal of property, plant and equipment		1,694,500	81,000
Additions to project in progress		(215,507,269)	(124,958,283)
Finance income received		153,910	235,898
Net cash used in investing activities		(235,346,667)	(138,511,495)
Cash flows from financing activities			
Proceeds from loans and borrowings		158,649,750	127,576,524
Repayment of loans and borrowings		(32,894,630)	(53,289,299)
Dividends paid	9	(71,341,463)	-
Net cash from financing activities		54,413,657	74,287,225
Net (decrease) / increase in cash and cash equivalents		(45,353,999)	42,307,038
Cash and cash equivalents at 1 January		174,804,478	116,969,115
Cash and cash equivalents at 30 June	6	129,450,479	159,276,153

The accompanying notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Gulf Warehousing Company (Q.S.C.) (the "Company") is a public shareholding company incorporated in the State of Qatar under commercial registration number 27386. The Company is listed at Qatar Exchange.

The condensed consolidated interim financial information of the Company as at and for the six month period ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group specializes in providing set-up, establishment, and management of all types of warehouses for storage, freight forwarding and other ancillary services.

2. BASIS OF PREPARATION

Statement of compliance

The condensed consolidated interim financial information for the six month period ended 30 June 2014 has been prepared in accordance with International Accounting Standard 34 – *"Interim Financial Reporting"*.

This condensed consolidated interim financial information does not contain all information and disclosures required in the financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2013. In addition, the results for the six month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

Basis of measurement

This condensed consolidated interim financial information has been prepared under the historical cost convention except for investment properties, which have been measured at fair value.

Functional and presentation currency

This condensed consolidated interim financial information is presented in Qatari Riyals, which is the Company's functional currency.

Use of estimates and judgments

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the accounting policies were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2013.

2. BASIS OF PREPARATION (CONTINUED)**Basis of consolidation**

The following are the subsidiaries of the Company that are consolidated in the Group's condensed consolidated interim financial information as at and for the six month period ended 30 June 2014:

Name of subsidiary	Country of incorporation	Principal activities	Group effective shareholding %	
			30 June 2014	31 December 2013
Agility W.L.L.	State of Qatar	Logistics and transportation	100%	100%
GWC Chemical W.L.L.	State of Qatar	Chemical trading and Transportation	100%	100%
GWC Food Services W.L.L. (Formerly GWC Projects)	State of Qatar	Trading in food stuffs	100%	100%
GWC Global Cargo & Transport L.L.C.	United Arab Emirates	Warehousing and Transportation	100%	100%
Imdad Sourcing & Logistic Group W.L.L.	State of Qatar	Trading in food stuff and other consumables	51%	51%
GWC Saudi Arabia – Branches in Riyadh, Dammam & Jeddah	Kingdom of Saudi Arabia	Preparation, Development and Management of warehouses	100%	100%
Gulf Warehousing Company Limited	Republic of Nigeria	Warehousing and transportation	100%	100%

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All material inter-Group balances and transactions, and any unrealised gains arising from intra-Group transactions are eliminated in preparing the condensed consolidated interim financial information.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2013, except for the following:

New Standards, amendments and interpretations issued and effective on or after 1 January 2014

The following standards, amendments and interpretations, which became effective as of 1 January 2014, and are relevant to the Group:

- Amendments to IAS 19R: Employee Benefits
- Amendments to IAS 32 on offsetting financial assets and financial liabilities (2011)
- Amendments to IAS 36 on recoverable amount disclosures for non-financial assets

The adoption of the new standards did not have a material impact on the condensed consolidated interim financial position or performance of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Standards, amendments and interpretations issued but not yet effective**

The following standards, amendments and interpretations, which are not effective as of 1 January 2014, and are relevant to the Group:

- IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets.
- IFRS 9 (2010) introduces additions to the standard relating to financial liabilities.

The Group does not plan to early adopt these standards.

4. SEGMENT INFORMATION

For management purposes, the Group is divided into three operating segments which are based on business lines, as follows:

- Logistic operations segment includes storage, handling, packing and transportation;
- Freight forwarding segment includes freight services through land, air and sea;
- Others includes trading;

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

The following table presents revenue and profit information regarding the Group's operating segment for the six month period ended 30 June 2014 and 30 June 2013, respectively.

	For the six month period ended 30 June 2014 (Reviewed)		For the six month period ended 30 June 2013 (Reviewed)	
	Segment revenue	Segment profit	Segment revenue	Segment profit / (loss)
Operating segments				
Logistic operations	235,744,039	63,157,876	174,190,697	49,619,406
Freight forwarding	98,876,975	4,350,872	81,930,945	2,862,765
Others	-	-	5,278,792	(1,242,301)
Unallocated	-	153,910	-	235,898
	334,621,014	67,662,658	261,400,434	51,475,768

The following table presents segment assets of the Group's operating segments as at 30 June 2014 and 31 December 2013:

	At 30 June 2014 (Reviewed)	At 31 December 2013 (Audited)
Operating segments		
Logistic operations	1,694,621,370	1,497,888,851
Freight forwarding	158,720,637	143,682,398
Others	41,243,118	15,931,589
Unallocated	131,971,561	221,971,562
	2,026,556,686	1,879,474,400

5. PROJECTS IN PROGRESS

Project in progress comprises the cost of asset acquired and currently under construction that are not available for use as at the end of the reporting period. These assets comprise mainly, construction of Logistics Village Qatar (LVQ) Phase IV infrastructure facility and construction of Kharaamaa substation at LVQ. Upon completion, these assets will be used for providing logistics services and will be reclassified accordingly.

The amount of borrowing costs capitalized during the six month period ended 30 June 2014 was QR 18.2 million (30 June 2013: QR 8.55 million). The weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 5.1 %, which is the effective interest rate of the specific borrowing.

Some of the assets under project in progress are secured against term loan. Refer to Note 10 for details.

6. CASH AND BANK BALANCES

	30 June 2014	31 December 2013
	(Reviewed)	(Audited)
Cash in hand	1,635,443	1,171,200
Bank balance-current account	127,815,036	83,633,278
Bank balance-deposit account	-	90,000,000
	<u>129,450,479</u>	<u>174,804,478</u>

7. SHARE CAPITAL

Issued and paid up capital at nominal value of ordinary shares QR 10 each:

	30 June 2014	31 December 2013
	(Reviewed)	(Audited)
At the beginning of the period / year	475,609,750	396,341,460
Bonus issue during the period / year	-	79,268,290
At the end of the period / year	<u>475,609,750</u>	<u>475,609,750</u>

	30 June 2014	31 December 2013
	No. of shares (Reviewed)	No. of shares (Audited)
At the beginning of the period / year	47,560,975	39,634,146
Bonus shares issued during the period / year	-	7,926,829
At the end of the period/year	<u>47,560,975</u>	<u>47,560,975</u>

8. LEGAL RESERVE

In accordance with Qatar Commercial Companies' Law No. 5 of 2002, 10% of the net profit for the year is required to be transferred to the legal reserve until such time the legal reserve equals 50% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 5 of 2002. No transfer has been made for the period ended 30 June 2014 as the Company will transfer the required amount by 31 December 2014.

9. DIVIDENDS

A cash dividend amounting to QR 71.34 million has been declared in respect of financial year 2013 at QR 1.5 per share by the Board of Directors and approved by shareholders in annual general meeting held on 16 February 2014.

10. LOANS AND BORROWINGS

	30 June 2014	31 December 2013
	(Reviewed)	(Audited)
LVQ term loans (i)	983,370,464	853,426,202
Other project loans (ii)	15,030,891	8,218,780
Other term loans (iii)	64,319,225	75,320,478
	<u>1,062,720,580</u>	<u>936,965,460</u>

Presented in the condensed consolidated statement of financial position as:

	30 June 2014	31 December 2013
	(Reviewed)	(Audited)
Current portion	65,737,055	165,397,714
Non-current portion	996,983,525	771,567,746
	<u>1,062,720,580</u>	<u>936,965,460</u>

(i) A term loan facility of QR 1,040 million was obtained from local banks to finance the construction and development of Logistic Village Qatar ("LVQ") located in Street # 52 of Industrial Area. The repayment on this facility began in April 2012. The term loan facility carries financing charges at 4.7% per annum. The loans are secured against Company's land and building under construction, and assignment of revenues from the LVQ to the loan account with the lender.

(ii) These term loans have been taken from local financial institutions to finance the other capital projects of the Company. These loans carry financing charges at 6.0% per annum. The loans are secured against warehouse equipment and other project related property.

(iii) A term loan amounting to QR 73 million was obtained from local financial institution to finance other capital projects of the Company. The repayment on this facility began in November 2013. The loan carries financing charges at 5.1% per annum. The loan is secured against corporate guarantee of the Company and assignment of revenues to the account with the lender.

11. RELATED PARTIES

The details of transactions and the balances with related parties during the period / year are as follows:

Related party transactions

Transactions with related parties included in the income statement are as follows:

	Nature of transactions	For the six month period ended	
		30 June 2014 (Reviewed)	30 June 2013 (Reviewed)
Agility network	Revenue	4,459,481	2,299,323
Agility network	Purchase of services	28,424,547	21,190,267

Related party balances

Balances with related parties included in the condensed consolidated statement of financial position under trade and other receivables and trade payables and accruals are as follows:

	30 June 2014 (Reviewed)	31 December 2013 (Audited)
Due from Agility network	1,740,902	611,595
Due to Agility network	8,953,511	6,744,514

Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	For the six month period ended	
	30 June 2014 (Reviewed)	30 June 2013 (Reviewed)
Short-term benefits	720,000	855,344
Employees' end of service benefits	29,158	12,888

12. REVENUE

	For the three month period ended		For the six month period ended	
	30 June 2014 (Reviewed)	30 June 2013 (Reviewed)	30 June 2014 (Reviewed)	30 June 2013 (Reviewed)
Logistic operations	130,981,121	91,897,389	235,744,039	174,190,697
Freight forwarding	50,739,934	38,797,131	98,876,975	81,930,945
Others	-	1,023,425	-	5,278,792
	181,721,055	131,717,945	334,621,014	261,400,434

13. DIRECT COSTS

	For the three month period ended		For the six month period ended	
	30 June 2014 (Reviewed)	30 June 2013 (Reviewed)	30 June 2014 (Reviewed)	30 June 2013 (Reviewed)
Freight forwarding charges	35,875,002	32,707,343	71,432,181	65,141,038
Staff costs	25,498,030	18,967,470	50,659,928	39,951,405
Depreciation	16,721,897	12,888,882	32,474,757	24,363,679
Logistic costs	22,819,944	(1,001,104)	32,174,309	12,640,436
Repairs and maintenance	6,970,971	4,083,398	12,398,307	8,020,664
Fuel	3,975,333	2,184,917	7,333,127	3,932,925
Water and electricity	1,988,889	948,437	2,744,485	1,738,645
Insurance	633,740	405,026	1,208,215	875,923
Manpower subcontract charges	671,475	378,187	1,294,438	745,868
Others	2,335,331	7,260,177	4,698,236	8,750,341
	117,490,612	78,822,733	216,417,983	166,160,924

14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the parent by the weighted average number of shares outstanding during the period.

There were no potentially dilutive shares outstanding at any time during the period and, therefore, the dilutive earnings per share are equal to the basic earnings per share.

	For the three month period ended		For the six month period ended	
	30 June 2014 (Reviewed)	30 June 2013 (Reviewed)	30 June 2014 (Reviewed)	30 June 2013 (Reviewed)
Net profit for the period attributable to owners of the Company	38,759,205	31,434,733	67,662,658	52,084,495
Weighted average number of shares	47,560,975	47,560,975	47,560,975	47,560,975
Basic and diluted earnings per share	0.81	0.66	1.42	1.10

The weighted average numbers of shares have been calculated as follows:

	For the three month period ended		For the six month period ended	
	30 June 2014 (Reviewed)	30 June 2013 (Reviewed)	30 June 2014 (Reviewed)	30 June 2013 (Reviewed)
Qualifying shares at the beginning of the period	47,560,975	47,560,975	47,560,975	39,634,146
Bonus shares issued during the period (Note 7)	-	-	-	7,926,829
Balance at end of the period	47,560,975	47,560,975	47,560,975	47,560,975

Gulf Warehousing Company Q.S.C.

Notes to the condensed consolidated interim financial information
For the six month period ended 30 June 2014

In Qatari Riyals

15. CONTINGENCIES AND COMMITMENTS

	30 June 2014	31 December 2013
	(Reviewed)	(Audited)
Letters of guarantee	20,401,955	611,595
Performance bonds	41,023,049	30,962,891
	<u>61,425,004</u>	<u>31,574,486</u>

The Group has entered into capital commitments relating to certain construction contracts amounting to QR 39.6 million (31 December 2013: QR 186 million).

Future minimum rentals payable under non-cancellable operating leases were as follows;

	30 June 2014	31 December 2013
	(Reviewed)	(Audited)
Within one year	3,665,824	2,389,740
After one year but not more than five years	15,020,125	7,785,568
More than five years	45,708,837	17,230,107
	<u>64,394,786</u>	<u>27,405,415</u>