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

INTERIM CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2007 (UNAUDITED)

ERNST & YOUNG
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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION TO BOARD OF DIRECTORS OF THE PUBLIC WAREHOUSING COMPANY - K.S.C.

Introduction

We have reviewed the accompanying consolidated balance sheet of The Public Warehousing Company K.S.C. (the "Parent Company") and Subsidiaries (the "Group") as at 30 June 2007 and the related consolidated statement of income for the three month and six month periods then ended and the related statements of changes in shareholders' equity and cash flows for the six month period then ended. The Directors of the Parent Company are responsible for the preparation and presentation of this interim 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 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 discussed in note 11 to the interim consolidated financial information, a performance guarantee amounting to KD 10.1 million has been encashed by a counterparty in relation to non performance of obligations under a contract operated by a subsidiary of the group during the year ended 31 December 2006. The payment of the guarantee has been included in other assets in the balance sheet in the interim consolidated financial information, which practice, in our opinion, is not in accordance with International Financial Reporting Standards. Accordingly, other assets should be decreased by KD 10.1 million and retained earnings and minority interest should be reduced by KD 5.2. million and KD 4.9 million, respectively.

Qualified conclusion

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

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Ernst & Young
Al Aiban, Al Osaimi & Partners

Albazie & Co.
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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION TO BOARD OF DIRECTORS OF THE PUBLIC WAREHOUSING COMPANY - K.S.C. (continued)

Emphasis of matter - Prime vendor services contract
As discussed in note 11 to the interim consolidated financial information, a claim has been filed by and against the Parent Company with respect to a major contract. As of the balance sheet date, legal proceedings are still in progress, the outcome of which, and the ultimate effect on the interim consolidated financial information, if any, cannot presently be determined. Based on the advice of external legal counsel and the grounds set out in the note, no provision has been made in the interim consolidated financial information.

Emphasis of matter - Cancelled lease contracts
As discussed in note 11 to the interim consolidated financial information, a claim has been filed by and against the Parent Company with respect to certain lease contracts, which have been cancelled by the counterparty at the balance sheet date. As of the balance sheet date, legal proceedings are still in progress, the outcome of which, and the ultimate effect on the interim consolidated financial information, if any, cannot presently be determined. Based on the advice of external legal counsel and the grounds set out in the note, no provision has been made in the interim consolidated financial information.

Report on Other Legal and Regulatory Requirements
Furthermore, based on our review, the interim 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 six month period ended 30 June 2007 that might have had a material effect on the business of the Parent Company or on its financial position.

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31 July 2007

Kuwait

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

CONSOLIDATED BALANCE SHEET

30 June 2007 (Unaudited)

			(Audited)	
		30 June 2007	*31 December 2006*	*30 June 2006*
ASSETS	*Notes*	***KD '000s***	*KD '000s*	*KD '000s*
Current assets				
Cash and bank balances	3	**284,879**	315,002	270,762
Accounts receivable – net		**312,310**	271,935	179,202
Inventories		**60,814**	59,235	60,395
Investments carried at fair value through statement of income		**5,554**	2,174	2,644
Other current assets		**81,062**	54,206	32,866
Total current assets		**744,619**	702,552	545,869
Non-current assets				
Investment properties	4	**200,092**	188,228	173,338
Property, plant and equipment	5	**200,354**	193,348	172,655
Projects in progress		**21,841**	18,752	18,334
Intangible assets		**19,163**	20,386	-
Goodwill	6	**207,511**	188,162	162,935
Other non-current assets		**17,516**	8,949	30,968
Total non-current assets		**666,477**	617,825	558,230
TOTAL ASSETS		**1,411,096**	1,320,377	1,104,099
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and other credit balances		**335,269**	301,613	202,760
Short term loans and current portion of term loans	7	**111,485**	91,820	22,212
Taxes payable		**13,829**	12,242	6,672
Dividends payable to shareholders		**31,683**	2,634	3,901
Total current liabilities		**492,266**	408,309	235,545
Non-current liabilities				
Term loans	7	**122,556**	133,244	200,411
Bonds		**29,457**	29,457	29,600
Provision for end of service benefits		**13,784**	13,198	15,921
Other non-current liabilities		**26,853**	30,652	21,605
Total non-current liabilities		**192,650**	206,551	267,537
Equity attributable to equity holders of the parent Company				
Share capital		**95,167**	79,306	79,306
Share premium		**152,650**	152,650	152,650
Statutory reserve		**39,653**	39,653	36,777
Treasury shares	8	**(378)**	(3,038)	(15,862)
Treasury shares reserve		**43,534**	42,918	43,599
Foreign currency translation reserve		**(2,183)**	(1,745)	326
Investment revaluation reserve		**(595)**	(309)	(305)
Retained earnings		**371,729**	378,682	297,395
		699,577	688,117	593,886
Minority interest		**26,603**	17,400	7,131
Total equity		**726,180**	705,517	601,017
TOTAL LIABILITIES AND EQUITY		**1,411,096**	1,320,377	1,104,099

Tarek Abdul Aziz Sultan
Chairman and Managing Director

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

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

CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 June 2007 (Unaudited)

		Three months ended 30 June		*Six months ended 30 June*	
		2007	*2006*	***2007***	*2006*
	Notes	***KD '000s***	*KD '000s*	***KD '000s***	*KD '000s*
Revenue:					
Logistics and freight forwarding revenues	9,15	**397,986**	299,041	**764,858**	575,288
Rental revenue		**5,545**	5,918	**11,195**	11,083
Other services		**14,693**	8,951	**23,100**	16,691
Total revenue		**418,224**	313,910	**799,153**	603,062
Cost of revenues	9,15	**268,410**	199,662	**514,096**	378,503
Net revenues		**149,814**	114,248	**285,057**	224,559
Operating expenses:					
Salaries and employee benefits		**57,774**	36,856	**109,350**	72,722
Professional and legal fees		**6,090**	3,930	**10,967**	6,663
Depreciation and amortisation		**12,475**	6,981	**23,719**	13,456
Travel and marketing		**4,307**	2,951	**8,171**	5,154
Rent		**5,439**	3,606	**10,376**	6,935
Provision for doubtful accounts receivable		**233**	214	**691**	370
Other general and administrative expenses		**19,895**	15,997	**39,812**	32,250
Total operating expenses		**106,213**	70,535	**203,086**	137,550
Profit from operations		**43,601**	43,713	**81,971**	87,009
Other income (expenses):					
Change in fair value of investment properties		**-**	-	**6,725**	-
Interest income		**4,352**	3,757	**8,952**	6,694
Interest expense		**(5,047)**	(4,473)	**(9,734)**	(8,755)
Investment income		**232**	1,350	**561**	1,118
Miscellaneous income (expenses)		**897**	(550)	**1,414**	250
Total other income (expenses)- net		**434**	84	**7,918**	(693)
Profit for the period before tax		**44,035**	43,797	**89,889**	86,316
Income tax		**(826)**	(812)	**(1,219)**	(1,532)
National Labour Support Tax (NLST)		**(821)**	(855)	**(1,891)**	(1,883)
Profit for the period after tax		**42,388**	42,130	**86,779**	82,901
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(402)**	(430)	**(834)**	(845)
Directors' remuneration		**(44)**	(35)	**(88)**	(70)
PROFIT FOR THE PERIOD		**41,942**	41,665	**85,857**	81,986
Attributable to:					
Equity holders of the Parent Company		**38,565**	41,412	**80,282**	82,354
Minority interest		**3,377**	253	**5,575**	(368)
		41,942	41,665	**85,857**	81,986
BASIC AND DILUTED EARNINGS PER SHARE	10	**40.54 Fils**	44.03 fils	**84.43 Fils**	87.59 fils

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2007 (Unaudited)

	Note	*Six months ended 30 June* **2007** **KD '000s**	*2006* *KD '000s*
OPERATING ACTIVITIES			
Profit for the period before tax		**89,889**	86,316
Adjustments for:			
Provision for end of service benefits		**3,060**	1,729
Depreciation and amortisation		**23,719**	13,456
Provision for doubtful accounts receivable		**691**	370
Interest income		**(8,952)**	(6,694)
Interest expense		**9,734**	8,755
Investment income		**(561)**	(1,118)
Change in fair value of investment properties		**(6,725)**	-
Operating profit before changes in operating assets and liabilities		**110,855**	102,814
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable		**(31,823)**	34,697
(Increase) decrease in inventories		**(1,578)**	3,917
Increase in other current assets		**(33,220)**	(23,603)
Increase in accounts payable and other credit balances		**29,641**	14,862
Cash from operations		**73,875**	132,687
Interest received		**8,952**	6,694
Interest paid		**(9,734)**	(8,755)
NLST and income tax paid		**(1,493)**	(6,235)
Employee end of service benefits paid		**(2,474)**	-
Remuneration paid to directors		**(88)**	-
Net cash from operating activities		**69,038**	124,391
INVESTING ACTIVITIES			
Net movement in investments available for sale		**-**	(2,995)
Net movement in investments carried at fair value through income statement		**(2,812)**	-
(Purchase) sale of investment in associates		**(2,523)**	1,852
Purchase of investment properties		**(4,855)**	-
Purchase of property, plant and equipment		**(30,241)**	(11,817)
Additions to projects in progress		**(5,998)**	(8,320)
Acquisition of additional interest in subsidiaries		**(2,590)**	(1,005)
Acquisition of subsidiaries, net of cash acquired		**(20,752)**	-
Refund of purchase consideration paid towards acquisition of subsidiaries in prior period		**685**	-
Proceeds from short term deposits matured		**17,523**	-
Net cash used in investing activities		**(51,563)**	(22,285)
FINANCING ACTIVITIES			
Dividends paid to shareholders		**(42,325)**	(35,505)
Net movement in term loans		**8,974**	1,098
Purchase of treasury shares		**-**	(662)
Sale of treasury shares		**3,276**	3,041
Net cash used in financing activities		**(30,075)**	(32,028)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(12,600)**	70,078
Cash and cash equivalents at beginning of the period		**199,613**	200,684
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3	**187,013**	270,762

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended 30 June 2007 (Unaudited)

	Attributable to equity holders of the Parent Company									*Minority interest*	
	Share Capital KD '000s	*Share premium KD '000s*	*Statutory reserve KD '000s*	*Treasury shares KD '000s*	*Treasury shares reserve KD '000s*	*Foreign currency translation reserve KD '000s*	*Investment revaluation reserve KD '000s*	*Retained earnings KD '000s*	*Sub total KD '000s*	*KD '000s*	*Total KD '000s*
Balance at 1 January 2007	79,306	152,650	39,653	(3,038)	42,918	(1,745)	(309)	378,682	688,117	17,400	705,517
Change in fair value of available for sale investments	-	-	-	-	-	-	(286)	-	(286)	-	(286)
Foreign currency translation adjustments	-	-	-	-	-	(438)	-	-	(438)	646	208
Total income and expense for the period recognised directly in equity	-	-	-	-	-	(438)	(286)	-	(724)	646	(78)
Profit for the period	-	-	-	-	-	-	-	80,282	80,282	5,575	85,857
Total income and expense for the period	-	-	-	-	-	(438)	(286)	80,282	79,558	6,221	85,779
Issue of bonus shares	15,861	-	-	-	-	-	-	(15,861)	-	-	-
Dividends declared	-	-	-	-	-	-	-	(71,374)	(71,374)	(2,940)	(74,314)
Issue of additional share capital by subsidiaries	-	-	-	-	-	-	-	-	-	8,512	8,512
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	(2,590)	(2,590)
Sale of treasury shares	-	-	-	2,660	616	-	-	-	3,276	-	3,276
Balance at 30 June 2007	95,167	152,650	39,653	(378)	43,534	(2,183)	(595)	371,729	699,577	26,603	**726,180**
Balance at 1 January 2006	68,962	152,650	36,777	(17,467)	42,825	(232)	(305)	263,317	546,527	8,446	554,973
Foreign currency translation adjustments	-	-	-	-	-	558	-	-	558	58	616
Total income for the period recognised directly in equity	-	-	-	-	-	558	-	-	558	58	616
Profit for the period	-	-	-	-	-	-	-	82,354	82,354	(368)	81,986
Total income and expense for the period	-	-	-	-	-	558	-	82,354	82,912	(310)	82,602
Dividends paid	-	-	-	-	-	-	-	(37,932)	(37,932)	-	(37,932)
Issue of bonus shares	10,344	-	-	-	-	-	-	(10,344)	-	-	-
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	(1,005)	(1,005)
Purchase of treasury shares	-	-	-	(662)	-	-	-	-	(662)	-	(662)
Sale of treasury shares	-	-	-	2,267	774	-	-	-	3,041	-	3,041
Balance at 30 June 2006	79,306	152,650	36,777	(15,862)	43,599	326	(305)	297,395	593,886	7,131	601,017

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

1 INCORPORATION AND ACTIVITIES

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

The activities of the Parent Company and its subsidiaries (the "Group") are as follows:

- Construction, management and renting of all types of warehouses.
- Warehousing goods under customs' supervision inside and outside customs areas.
- Investing surplus funds in investment portfolios managed by specialist investment managers.
- Participating in, acquiring or taking over companies with similar activities or those that would facilitate in achieving the Parent Company's objectives locally or overseas.
- All types of transportation, distribution, handling and customs clearance for goods.
- Customs consulting, customs automation, modernisation and decision support.

The address of the Parent Company is Al Sulaibiya - beside Land Customs Clearing Area - P.O. Box 25418, Safat 13115, Kuwait.

The interim consolidated financial information was authorised for issue by the Parent Company's Board of Directors on 31 July 2007.

2 BASIS OF PRESENTATION

This interim consolidated financial information has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and the guidelines issued by the Kuwait Stock Exchange.

The accounting policies used in the preparation of the interim consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2006.

The interim 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 six month period ended 30 June 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007. For more details please refer to the consolidated financial statements for the year ended 31 December 2006.

3 CASH AND BANK BALANCES

	30 June 2007 KD '000s	*(Audited) 31 December 2006 KD '000s*	*30 June 2006 KD '000s*
Cash in hand and at bank	**60,539**	45,529	39,000
Deposits with original maturities up to three months	**126,474**	154,084	231,762
Cash and cash equivalents	**187,013**	199,613	270,762
Add: Deposits with original maturities exceeding three months	**97,866**	115,389	-
	284,879	315,002	270,762

4 INVESTMENT PROPERTIES

Included in investment properties is a property with a carrying value of KD 14,858 thousand, including revaluation gains of KD 1,931 thousand recorded in prior periods, that is subject to ongoing litigation arising from a claim filed by the Parent Company and counter claims against the Parent Company with respect to certain lease contracts, which have been cancelled by the counterparty during the year ended 31 December 2006 (Note 11). An amount of KD 4,601 thousand was transferred from projects in progress during the period as the related property became available for lease.

5 PROPERTY, PLANT AND EQUIPMENT

During the six month period ended 30 June 2007, the Group acquired assets with a cost of KD 30,725 thousand (2006: KD 11,818 thousand).

6 GOODWILL

On 28 February 2007, the Group acquired 100% of the share capital of Leader Group Limited for a cash consideration of KD 302 thousand. Goodwill arising on the purchase amounted to KD 286 thousand, based on the tentative estimates of the fair value of the net assets acquired. From the date of acquisition, Leader Group Limited incurred a loss of KD 10 thousand.

On 3 April 2007, the Group acquired 100% of the share capital of WTS of Houston Inc. and World Transportation Services Inc. for a total cash consideration of KD 1,613 thousand excluding transaction costs of KD 93 thousand. Goodwill arising on the purchase amounted to KD 1,444 thousand, based on the tentative estimates of the fair value of the net assets acquired. From the date of acquisition, the above subsidiaries contributed KD 75 thousand to the profit of the group.

On 31 May 2007, the Group acquired 75% of the share capital of LEP International (NZ) Limited and its subsidiaries, 100% of Pan Orient Shipping Services Pty Limited and 100% of Kurada no. 8 Limited for a cash consideration of KD 19,645 thousand excluding transaction costs of KD 91 thousand. The fair values of the identifiable assets and liabilities as on the date of acquisition are as follows:

	KD '000s
Total assets	8,431
Total liabilities	4,061
Fair value of net assets acquired	4,370
Goodwill arising on acquisition	15,367
Purchase consideration	19,737
Less: cash and cash equivalents	923
Cash flow on acquisition net of cash acquired	18,814

The tentative estimate of fair values of the identifiable assets and liabilities acquired, are equivalent to their carrying values as on the date of acquisition. From the date of acquisition, the above subsidiaries have incurred a loss of KD 12 thousand.

The estimates referred to above, and the resultant goodwill, are subject to revision within twelve months of the acquisition date of the respective companies.

7 SHORT TERM LOANS AND TERM LOANS

Included within the balance of term loans is an amount of US$ 460,000 thousand (equivalent to KD 133,004 thousand) obtained under the terms of an agreement dated 30 August 2005. Additional funding was obtained under the terms of the same agreement on 15 December 2005 amounting to US$ 90,000 thousand (equivalent to KD 26,023 thousand). The loan is denominated in US Dollars and is divided into five tranches, A1, A2, B1, B2, and B3 with terms as follows:

- Tranche A1, amounting to US$ 155,000 thousand (equivalent KD 45,260 thousand) is repayable in August 2007.
- Tranche A2, amounting to US$ 25,000 thousand (equivalent KD 7,300 thousand) is repayable in August 2007.
- Tranche B1, amounting to US$ 239,818 thousand (equivalent KD 70,027 thousand) is repayable through annual instalments of 20 percent of the loan balance for three years commencing in September 2007, with a final repayment of the outstanding balance in September 2010.
- Tranche B2, amounting to US$ 110,000 thousand (equivalent KD 32,120 thousand) is repayable through annual instalments of 20 percent of the loan balance for three years commencing in September 2007, with a final repayment of the outstanding balance in September 2010.
- Tranche B3, amounting to US$ 20,182 thousand (equivalent KD 5,893 thousand) is repayable through annual instalments of 20 percent of the loan balance for three years commencing in September 2007, with a final repayment of the outstanding balance in September 2010.

The terms of the loan agreement require the Parent Company to meet certain financial covenants. At the balance sheet date, the Group has complied with these covenants. Each of the facilities carries interest at commercial floating rates.

Included in the term loans, are loans amounting to KD 4,642 thousand and KD 11,656 thousand respectively, which are payable by subsidiaries of Geo Logistics Corporation, a subsidiary of the Parent Company. Accounts receivable and certain other assets of these subsidiary companies are pledged as collateral against these term loans. The term loans carry interest at commercial floating rates.

Included in term loans is an amount of KD 12,000 thousand payable by a subsidiary, Global Clearing House Systems K.S.C. (Closed) without recourse to the Parent Company. The net worth of the subsidiary at 30 June 2007 is negative KD 12,119 thousand. The Parent Company is only liable for losses equal to its share of the contributed share capital of the subsidiary amounting to KD 5,000 thousand at the balance sheet date. Assets of the subsidiary amounting to KD 2,877 thousand have been pledged as collateral against this loan.

8 TREASURY SHARES

	30 June 2007	*(Audited) 31 December 2006*	*30 June 2006*
Number of treasury shares	**340,200**	2,280,499	9,086,323
Percentage of issued shares	**0.04%**	0.29 %	1.15%
Market value in KD '000s	**517**	3,832	17,082
Cost in KD '000s	**378**	3,038	15,862

9 LOGISTICS AND FREIGHT FORWARDING REVENUES

The acquisition of new subsidiaries during 2006 has contributed to the increase in logistics and freight forwarding revenues, cost of revenues and operating expenses in the current period.

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 ordinary shares outstanding less weighted average number of treasury shares during the period:

	Three months ended 30 June		*Six months ended 30 June*	
	2007 Shares	*2006 Shares (Restated)*	***2007 Shares***	*2006 Shares (Restated)*
Weighted average number of shares outstanding at end of period	**951,669,732**	951,669,732	**951,669,732**	951,669,732
Weighted average number of treasury shares at end of the period.	**(340,200)**	(11,194,214)	**(750,633)**	(11,500,054)
Weighted average number of shares outstanding , net of treasury shares	**951,329,532**	940,475,518	**950,919,099**	940,169,678
	KD '000s	*KD '000s*	***KD '000s***	*KD '000s*
Profit attributable to equity holders of the Parent Company	**38,565**	41,412	**80,282**	82,354
Basic and diluted earnings per share	**40.54 fils**	44.03 fils	**84.43 fils**	87.59 fils

Basic and diluted earnings per share for 2006 have been restated due to the issue of bonus shares following approval of the annual general assembly of the shareholders held in June 2007.

11 COMMITMENTS AND CONTINGENCIES

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

	30 June 2007 KD '000s	*(Audited) 31 December 2006 KD '000s*	*30 June 2006 KD '000s*
Documentary letters of credit	**348**	-	-
Letters of guarantee	**41,309**	25,725	32,892
Operating lease commitments	**38,075**	37,755	-
Capital commitments	**20,579**	28,879	13,788
	100,311	92,359	46,680

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

Legal claims

Prime Vendor Services Contract
A dispute has 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 has submitted all evidence 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 third party has filed claims against the Parent Company with respect to the above-mentioned partnership alleging that the financial rewards arising from the Prime Vendor Contract accrue to the partnership and consequently is entitled to his share of the rewards. The Parent Company filed a case requesting nullity of the partnership agreement and appointment of an expert to assess the compensation to which the Parent Company may be entitled. The court issued its ruling in which the arbitration clause in the partnership agreement was nullified and the case taken under its jurisdiction. The court delegated an expert to assess the damages arising from the non-satisfaction of the partnership commitments. The expert's report concluded that no cash contributions, assets or infrastructure have been provided for the partnership and explained that these are the basic obligations in the partnership. This report has been submitted to the court, which, having been satisfied that neither party met its obligations under the partnership contract dated 30 July 2002, the Court issued a sentence on 5 December 2005 that both parties have been discharged from their obligations under the contract. The third party has submitted an appeal to the Supreme Court of Appeals, where it is currently under review. However, the Supreme Court of Appeal resolved to refer the case back to the Experts Department. This will not affect the latest situation because the Court issued its ruling in its session on 27.03.2007 for the Appeal No. 673/2006 to confirm the verdict issued for nullity of the case filed by Kamal Mustaffa Al-Sultan against the Parent Company and some of its executives, based on the expert's report, which stated that the plaintiff did not satisfy any of his obligations in the partnership contract and, hence, he is not entitled to any reward. Whilst the Parent Company's legal consulting firms consider it probable for the company to win the case, the final outcome of this case cannot presently be predicted.

The third party also submitted a request to the Reconciliation, Arbitration & Registration Committee of Kuwait Chamber of Commerce & Industry. The Arbitrator issued his decision to withhold arbitration procedures until the court issues its final ruling in the case. However, the Court of Appeal issued its verdict that the Arbitration Committee is not the relevant competent jurisdiction.

11 COMMITMENTS AND CONTINGENCIES (continued)

The third party has also filed a case against the Parent Company requesting receivership over the partnership, however, the case was rejected by the Court of First Instance. Subsequently, the Court of Appeal issued a verdict reversing the ruling issued by the Court of First Instance and appointed a team of official receivers to administer the funds, assets and properties of the partnership (not those of the Parent Company). The court ruling has also specified the duties of the official receivers to include the proper administration of the partnership affairs under the objectives for which it was established, collection of its funds, satisfaction of its obligations and the depositing of any proceeds at the court's treasury.

The ongoing legal proceedings also included a case filed by the third party against certain executives of the Parent Company in which the case was lost. This loss is confirmed by the aforesaid verdict of the Court of Appeal No. 673/2006. The Parent Company has also appealed against the ruling in which official receivers were appointed as discussed above, seeking cessation of official receivership but this case was rejected by the Court of Summary Appeal.

The Parent Company's external legal consulting firms advised that the partnership agreement had expired on 1 January 2003, i.e. before the Parent Company was awarded the Prime Vendor Services Contract by the U.S. Government and as a result the partnership agreement is considered void and of no force or effect. They also advised that the official receivership over the partnership agreement has no financial impact on the Parent Company or any of its projects. This is further reinforced by the verdict issued by the Supreme Court of Appeal on 27.03.2007, the legal base of which is that the partnership agreement between the Parent Company and Kamal Mustaffa Al-Sultan Company does not exist and both parties have been discharged from their obligations under the contract.

Based on the foregoing interpretation and the legal opinion of external legal consulting firms, the firms have advised the Parent Company not to provide for any amount in respect of the claim or negotiate any settlement with the third party and accordingly, no provision has been made in the accompanying interim consolidated financial information.

Lease agreements
On 27.11.2006, 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 the case No. 940/2006 "Administrative". In the Hearing held on 25.12.2006, the court pronounced its ruling to repeal the aforesaid Resolution of the Ministry of Commerce & Industry and its resultant impacts.

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

The Parent Company again protested against the new resolution through the 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 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.

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. This appeal is still under legal review by the courts.

11 COMMITMENTS AND CONTINGENCIES (continued)

Based on the foregoing interpretation and the legal opinion of external legal consulting firms, the resolutions issued by the Governmental authorities are not, from a legal perspective, expected to remain effective and the firms have advised the Parent Company not to provide for any amount in respect of the above, and accordingly, no provision has been made in the accompanying interim consolidated financial information.

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") in the favour of GAC against execution. This Resolution is being appealed through case No. 224/2007 "Administrative - 7".

In the opinion of the Company's external legal consulting firms the violations against which a portion of the bank guarantee provided has subsequently been cashed, 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 cashed portion of the guarantee plus interest of 7%. The Parent Company holds a 51% investment in this subsidiary company. Management believes that this matter is incidental and will be resolved in the courts during 2007, and, accordingly, no provision has been made in the accompanying interim 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 consolidated financial statements.

12 GENERAL ASSEMBLY

On 12 June 2007, the general assembly of the Parent Company's shareholders approved the consolidated financial statements for the year ended 31 December 2006 and declared a cash dividend of 90 fils per share (2005: 55 fils per share) and bonus shares at 20% equivalent to 20 shares per 100 shares held (2005: 15 shares per 100 shares held).

13 RELATED PARTY TRANSACTIONS

Related parties represent shareholders, directors and key management personnel of the Group, joint ventures 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 with related parties included in the consolidated statement of income are as follows:

	Six months ended 30 June			
	2007		*2006*	
	Purchases KD '000s	***Fees for management services KD '000s***	*Purchases KD '000s*	*Rent and fees for management services KD '000s*
Entities under common control	**24,574**	**2**	27,315	234

Amounts due to entities under common control recorded under accounts payable and other liabilities amount to KD 3,979 thousand at 30 June 2007 (31 December 2006: KD 9,046 thousand, 30 June 2006: KD 4,758 thousand).

13 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	Six months ended 30 June 2007 KD '000s	*Six months ended 30 June 2006 KD '000s*
Short-term benefits	**374**	321
Employees' end of service benefits	**153**	48
Share-based payments	**1,950**	550
	2,477	919

14 SEGMENT REPORTING

During the latter part of the previous financial year, the Group commenced a restructuring project as part of the ongoing integration of businesses acquired, one objective of which is that the primary determinant for decision making will ultimately be along business lines. This project is ongoing, accordingly geographical segments are considered to be the primary segment at the balance sheet date.

14 SEGMENT REPORTING

Segment disclosures based on Geographical location of the customers:

	Asia KD '000s	*Europe KD '000s*	*America KD '000s*	*Africa KD '000s*	*Total before inter-Group elimination KD '000s*	*Inter-Group elimination KD '000s*	***Total KD '000s***
Six months ended							
30 June 2007							
Revenue	**497,586**	**275,990**	**76,235**	**6,399**	**856,210**	**(50,332)**	**805,878**
Expenses	**394,640**	**276,771**	**89,943**	**6,160**	**767,514**	**(50,332)**	**717,182**
Segment results	**102,946**	**(781)**	**(13,708)**	**239**	**88,696**	**-**	**88,696**
Interest income							**8,952**
Interest expense							**(9,734)**
Investment and other income							**1,975**
taxes							**(3,110)**
Unallocated corporate charges							**(922)**
Profit for the period							**85,857**
Six months ended							
30 June 2006							
Income	429,564	152,540	59,510	895	642,509	(39,447)	603,062
Expenses	339,222	151,436	63,619	1,223	555,500	(39,447)	516,053
Segment results	90,342	1,104	(4,109)	(328)	87,009	-	87,009
Interest income							6,694
Interest expense							(8,755)
Investment and other income							1,368
taxes							(3,415)
Unallocated corporate charges							(915)
Profit for the period							81,986

15 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the presentation in the current period. Such reclassifications relate to the following:

- For the three months period ended 30 June 2006, presentation of logistics revenue and costs gross, amounting to KD 141,914 thousand and KD 72,031 thousand respectively, and the combination of these amounts with freight forwarding revenues and costs amounting to KD 157,127 thousand and KD 125,512 thousand respectively, as this better reflects the elements of financial performance of the Group. Similarly, for the six month period ended 30 June 2006, presentation of logistics revenue and costs gross, amounting to KD 281,471 thousand and KD 142,255 thousand respectively, and the combination of these amounts with freight forwarding revenues and costs amounting to KD 293,817 thousand and KD 232,780 thousand respectively have been reclassified.

- reclassification of investments in joint ventures, investments available for sale and investments in associates, in the aggregate amount of KD 5,074 thousand at 31 December 2006, and KD 6,773 thousand at 30 June 2006, to other non current assets, as these balances are not material to the interim consolidated financial information to the extent that separate disclosure is required.