THE PUBLIC WAREHOUSING COMPANY K.S.C AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2008 (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 balance sheet of The Public Warehousing Company K.S.C. (the "Parent Company") and Subsidiaries (the "Group") as at 31 March 2008 and the related interim condensed consolidated statements of income, changes in shareholders' equity and cash flows for the three month period then ended. The Directors of the Parent Company are 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(e) to the interim condensed consolidated financial information, during the year ended 31 December 2006, a performance guarantee amounting to KD 10.1 million was called by a counterparty in relation to non performance of obligations under a contract operated by a subsidiary of the Group and encashed during the year ended 31 December 2007. The amount was not expensed in the audited consolidated financial statements for the year ended 31 December 2006, which in our opinion, is not in accordance with International Financial Reporting Standards. Accordingly, other current assets and retained earnings should be decreased by KD 10.1 million.

Qualified conclusion

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

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

Emphasis of matter
Without further qualifying our conclusion, we draw attention to the commitments and contingencies explained in note 11 (a), (b) and (c) to the interim condensed consolidated financial information.

Report on Other Legal and Regulatory Requirements
Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the Parent Company have occurred during the three month period ended 31 March 2008 that might have had a material effect on the business of the Parent Company or on its financial position.

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17 May 2008

Kuwait

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

31 March 2008 (Unaudited)

	Notes	*31 March 2008 KD '000s*	*(Audited) 31 December 2007 KD '000s*	*31 March 2007 KD '000s*
ASSETS				
Current assets				
Cash and bank balances	3	**271,699**	247,082	328,169
Trade receivables		**328,173**	346,026	291,156
Inventories		**67,455**	66,120	54,470
Investments available for sale	4	**91,774**	93,530	1,590
Other current assets	5	**116,038**	100,858	75,633
Total current assets		**875,139**	853,616	751,018
Non-current assets				
Investment properties	6	**208,787**	204,656	199,893
Projects in progress		**36,227**	30,588	20,690
Property, plant and equipment		**210,925**	209,294	197,360
Intangible assets		**17,144**	17,941	19,775
Goodwill		**205,081**	204,248	188,877
Other non-current assets		**17,476**	15,679	8,323
Total non-current assets		**695,640**	682,406	634,918
TOTAL ASSETS		**1,570,779**	1,536,022	1,385,936
LIABILITIES AND EQUITY				
LIABILITIES				
Current liabilities				
Trade and other payables		**358,517**	346,604	308,835
Interest bearing loans and borrowings	7	**219,080**	218,964	88,679
Taxes payable		**7,245**	6,672	13,110
Dividends payable to shareholders		**3,979**	4,135	2,631
Total current liabilities		**588,821**	576,375	413,255
Non-current liabilities				
Interest bearing loans and borrowings	7	**99,626**	100,224	136,299
Bonds		**28,265**	28,650	29,457
Provision for employees' end of service benefits		**16,842**	15,758	14,727
Other non-current liabilities		**29,676**	30,372	31,264
Total non-current liabilities		**174,409**	175,004	211,747
Total liabilities		**763,230**	751,379	625,002
EQUITY				
Share capital		**95,167**	95,167	79,306
Share premium		**152,650**	152,650	152,650
Statutory reserve		**47,584**	47,584	39,653
Treasury shares	8	**(2,824)**	(1,035)	(378)
Treasury shares reserve		**43,534**	43,534	43,534
Foreign currency translation reserve		**(29,689)**	(17,858)	(1,780)
Investment revaluation reserve		**(601)**	(599)	(309)
Retained earnings		**474,992**	437,456	420,399
Equity attributable to equity holders of the Parent Company		**780,813**	756,899	733,075
Minority interests		**26,736**	27,744	27,859
Total equity		**807,549**	784,643	760,934
TOTAL LIABILITIES AND EQUITY		**1,570,779**	1,536,022	1,385,936

Tarek Abdul Aziz Sultan
Chairman and Managing Director

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2008 (Unaudited)

	Notes	*Three months ended 31 March* **2008** **KD '000s**	*2007* *KD '000s*
Revenue:			
Logistics and freight forwarding revenues	9	**422,516**	366,873
Rental revenues		**6,481**	5,650
Other services		**14,136**	8,406
Total revenue		**443,133**	380,929
Cost of revenue	9	**(289,580)**	(245,686)
Net revenue		**153,553**	135,243
Operating expenses:			
General and administrative expenses		**(36,757)**	(34,053)
Salaries and employee benefits		**(66,302)**	(51,576)
Depreciation and amortisation		**(11,771)**	(11,244)
Total operating expenses		**(114,830)**	(96,873)
Profit from operations		**38,723**	38,370
Other income:			
Change in fair value of investment properties	6	**4,072**	6,725
Interest income		**5,900**	4,600
Miscellaneous income		**724**	846
Total other income		**10,696**	12,171
Finance costs		**(7,233)**	(4,687)
Profit for the period before income tax, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		**42,186**	45,854
Income tax		**(356)**	(393)
Contribution to KFAS		**(393)**	(432)
NLST		**(983)**	(1,070)
Zakat		**(394)**	-
Directors' remuneration		**(45)**	(44)
PROFIT FOR THE PERIOD		**40,015**	43,915
Attributable to:			
Equity holders of the Parent Company		**37,536**	41,717
Minority interests		**2,479**	2,198
		40,015	43,915
BASIC AND DILUTED EARNINGS PER SHARE	10	**35.89 fils**	39.90 fils

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2008 (Unaudited)

	Note	*Three months ended 31 March* 2008 KD '000s	2007 KD '000s
OPERATING ACTIVITIES			
Profit for the period before income tax, KFAS, NLST, Zakat and Directors' remuneration		**42,186**	45,854
Adjustments for:			
Provision for employees' end of service benefits		**2,158**	1,530
Depreciation and amortisation		**11,771**	11,244
Provision for doubtful trade receivables		**832**	458
Change in fair value of investment properties		**(4,072)**	(6,725)
Interest income		**(5,900)**	(4,600)
Finance costs		**7,233**	4,687
Miscellaneous income		**(724)**	(329)
Operating profit before changes in operating assets and liabilities		**53,484**	52,119
Trade receivables		**17,022**	(19,680)
Inventories		**(1,335)**	4,765
Other current assets		**(13,596)**	(19,546)
Trade and other payables		**11,462**	16,502
Cash from operations		**67,037**	34,160
Income tax paid		**(765)**	(594)
Directors' remuneration paid		**(200)**	(44)
Employees' end of service benefits paid		**(1,074)**	-
Net cash from operating activities		**64,998**	33,522
INVESTING ACTIVITIES			
Net movement in investments available for sale		**1,306**	(705)
Purchase of investment properties		**(59)**	(4,855)
Additions to projects in progress (net of disposals)		**(5,639)**	(2,888)
Purchase of property, plant and equipment		**(12,791)**	(15,256)
Interest received		**3,151**	4,600
Acquisition of additional interest in subsidiaries		**(4,267)**	(406)
Refund of purchase consideration paid towards acquisition of subsidiaries in prior period		**-**	687
Proceeds from term deposits matured		**19,108**	114,704
Net cash from investing activities		**809**	95,881
FINANCING ACTIVITIES			
Dividends paid to shareholders of the Parent Company		**(157)**	(2)
Dividends paid to minority shareholders of subsidiaries		**(2,450)**	-
Finance cost paid		**(5,373)**	(4,687)
Net movement in interest bearing loans and borrowings		**(482)**	(86)
Purchase of treasury shares		**(1,789)**	-
Proceeds from sale of treasury shares		**-**	3,276
Net cash used in financing activities		**(10,251)**	(1,499)
Foreign currency translation adjustments		**(11,831)**	(35)
INCREASE IN CASH AND CASH EQUIVALENTS		**43,725**	127,869
Cash and cash equivalents at 1 January		**189,889**	199,613
CASH AND CASH EQUIVALENTS AT 31 MARCH	3	**233,614**	327,482

The accompanying 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 SHAREHOLDERS' EQUITY

For the period ended 31 March 2008 (Unaudited)

	Attributable to equity holders of the Parent Company										
	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*	*Minority interest KD '000s*	*Total KD '000s*
Balance at 1 January 2008	95,167	152,650	47,584	(1,035)	43,534	(17,858)	(599)	437,456	756,899	27,744	784,643
Change in fair value of investments available for sale	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Foreign currency translation adjustments	-	-	-	-	-	(11,831)	-	-	(11,831)	189	(11,642)
Total income and expense for the period recognised directly in equity	-	-	-	-	-	(11,831)	(2)	-	(11,833)	189	(11,644)
Profit for the period	-	-	-	-	-	-	-	37,536	37,536	2,479	40,015
Total income and expense for the period	-	-	-	-	-	(11,831)	(2)	37,536	25,703	2,668	28,371
Dividends paid	-	-	-	-	-	-	-	-	-	(2,450)	(2,450)
Purchase of treasury shares	-	-	-	(1,789)	-	-	-	-	(1,789)	-	(1,789)
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	(1,226)	(1,226)
Balance at 31 March 2008	**95,167**	**152,650**	**47,584**	**(2,824)**	**43,534**	**(29,689)**	**(601)**	**474,992**	**780,813**	**26,736**	**807,549**
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
Foreign currency translation adjustments	-	-	-	-	-	(35)	-	-	(35)	155	120
Total expense for the period recognised directly in equity	-	-	-	-	-	(35)	-	-	(35)	155	120
Profit for the period	-	-	-	-	-	-	-	41,717	41,717	2,198	43,915
Total income and expense for the period	-	-	-	-	-	(35)	-	41,717	41,682	2,353	44,035
Sale of treasury shares	-	-	-	2,660	616	-	-	-	3,276	-	3,276
Issue of share capital by subsidiaries	-	-	-	-	-	-	-	-	-	8,512	8,512
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	(406)	(406)
Balance at 31 March 2007	79,306	152,650	39,653	(378)	43,534	(1,780)	(309)	420,399	733,075	27,859	760,934

The accompanying notes 1 to 14 form part of this interim condensed 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 condensed consolidated financial information was authorised for issue by the Parent Company's Board of Directors on 17 May 2008.

2 BASIS OF PRESENTATION

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

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 2007.

The interim condensed consolidated financial information does not contain all information and disclosures as required for full financial statements that are prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the three month period ended 31 March 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008. For more details please refer to the consolidated financial statements for the year ended 31 December 2007.

3 CASH AND BANK BALANCES

	31 March 2008 KD '000s	*(Audited) 31 December 2007 KD '000s*	*31 March 2007 KD '000s*
Cash in hand and at bank	**91,308**	71,887	45,519
Short term deposits	**142,306**	118,002	281,963
Cash and cash equivalents	**233,614**	189,889	327,482
Deposits with original maturities exceeding three months	**38,085**	57,193	687
	271,699	247,082	328,169

4 INVESTMENTS AVAILABLE FOR SALE

	31 March 2008 KD '000s	*(Audited) 31 December 2007 KD '000s*	*31 March 2007 KD '000s*
Unquoted securities	**91,774**	93,530	1,590

During the year ended 31 December 2007, the Group made an investment in Korek Telecom in the form of one year 7% convertible debt amounting to US$ 250,000 thousand. The conversion option is an embedded derivative and is not considered to be closely related to the host instrument from the holder's perspective. In accordance with IAS 39, the conversion option has been stripped out of the debt instrument and carried at fair value through income statement (which is insignificant). The residual value of the debt instrument amounting to KD 66,531 thousand (31 December 2007: KD 68,410 thousand and 31 March 2007: Nil) is carried as an investment available for sale in the interim condensed consolidated balance sheet.

Included in unquoted securities is an amount of KD 20,804 thousand (31 December 2007: KD 22,757 thousand and 31 March 2007: Nil) which represent an investment in Orange East Africa SA, a company registered in France. Orange East Africa SA owns 51% of the equity interest in Telkom Kenya. Although the Parent Company holds 20.2% (31 December 2007: 21.5%) equity interest in Orange East Africa SA, it does not have significant influence on the board of directors and does not participate in policy making processes. Consequently, the Parent Company is not in a position to exercise "significant influence" over Orange East Africa. Accordingly, this investment is being accounted for as an investment available for sale. During the three month period ended 31 March 2008, the Parent Company disposed of 1.3% equity interest in the Orange East Africa SA resulting in a revised equity interest of 20.2%. No gain or loss arose on this disposal.

In addition, unquoted investments include an amount of KD 4,439 thousand (31 December 2007: KD 1,530 thousand and 31 March 2007: KD 1,590 thousand), the fair values which have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. Management believes that the estimated fair values resulting from the valuation techniques which are recorded in the balance sheet and the related investment revaluation reserve in equity are reasonable and the most appropriate at the balance sheet date.

5 OTHER CURRENT ASSETS

Included in other current assets is an amount of KD 30,734 thousand (31 December 2007: KD 30,734 thousand and 31 March 2007: Nil) which represents an advance payment made by the Group to acquire a strategic investment.

6 INVESTMENT PROPERTIES

During the three month period ended 31 March 2008, the Parent Company revalued an investment property with a cost of KD 56 thousand. As at 31 March 2008, the fair value of the investment property is KD 4,128 thousand, resulting is a gain of KD 4,072 thousand recorded in the interim condensed consolidated income statement.

Included in investment properties is a property with a carrying value of KD 8,596 thousand, including revaluation gains of KD 665 thousand recorded in prior periods, that is subject to ongoing litigation arising from a claim filed by the Parent Company and counter claims against the Parent Company with respect to certain lease contracts, which have been cancelled by the counterparty during the year ended 31 December 2006 (Note 11(c)).

7 INTEREST BEARING LOANS AND BORROWINGS

	31 March 2008 KD '000s	*(Audited) 31 December 2007 KD '000s*	*31 March 2007 KD '000s*
Total loan of US$ 550,000 thousand obtained from a foreign bank which carries interest at LIBOR plus margin ranging from 0.7% to 1% and is divided into five tranches as explained below:			
• Tranche A1 amounting to US$ 155,000 thousand was repaid in August 2007.	-	-	44,817
• Tranche A2 amounting to US$ 25,000 thousand was repaid in August 2007.	-	-	7,228
• Tranche B1 amounting to US$ 239,818 thousand is repayable by annual instalments of 20 percent of the loan balance over the period of three years commencing from September 2007 with a final repayment due in September 2010.	**50,937**	52,376	69,340
• Tranche B2 amounting to US$ 110,000 thousand is repayable through annual instalments of 20 percent of the loan balance over a period of three years commencing from September 2007 with a final repayment in September 2010.	**23,364**	24,024	31,805
• Tranche B3 amounting to US$ 20,182 thousand is repayable through annual instalments of 20 percent of the loan balance over a period of three years commencing from September 2007 with a final repayment due in September 2010.	**4,287**	4,407	5,855
Loan of KD 100,000 thousand borrowed from a local bank in October 2007 which carries interest at KIBOR plus 2.5% and is repayable in four quarterly instalments commencing from April 2008.	**100,000**	100,000	-
Loan of US$ 250,000 thousand borrowed from a local bank in October 2007 which carries interest at LIBOR plus 2.25% and is repayable in October 2008.	**66,327**	68,250	-
Loan of US$ 60,000 thousand borrowed from a local bank in 2003 which carries interest at LIBOR plus 0.75% and is repayable in quarterly instalments commencing from September 2005.	**10,768**	11,562	13,862
Loan of US$ 40,000 thousand borrowed from a local bank in 2003 which carries interest at LIBOR plus 0.75% and is repayable in quarterly instalments commencing from April 2007.	**6,822**	7,020	10,739
Other loans	**56,201**	51,549	41,332
	318,706	319,188	224,978

7 INTEREST BEARING LOANS AND BORROWINGS (continued)

On 30 August 2005, the Parent Company obtained a loan amounting to US$ 460,000 thousand (equivalent to KD 134,320 thousand) the primary purpose of which was to finance the acquisition of GeoLogistics Corporation. On 15 December 2005, additional funding of US$ 90,000 thousand (equivalent to KD 26,280 thousand) was obtained under the terms of the same loan agreement to fund the operations of the Group. The loan is denominated in US Dollars and is divided into five tranches (A1, A2, B1, B2, and B3) as explained above.

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.

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

	Current portion *KD '000s*	*Non-current portion* *KD '000s*	*Total* *KD '000s*
Balance at 31 March 2008	**219,080**	**99,626**	**318,706**
Balance at 31 December 2007	218,964	100,224	319,188
Balance at 31 March 2007	88,679	136,299	224,978

Included in interest bearing loans and borrowings are loans amounting to KD 24,034 thousand (31 December 2007: KD 21,387 thousand and 31 March 2007: KD 18,080 thousand) which are held by subsidiaries in the Group. Trade receivables and certain other assets of the respective subsidiaries are pledged as collateral against these loans.

Included in interest bearing loans and borrowings is an amount of KD 10,000 thousand (31 December 2007: KD 10,500 thousand and 31 March 2007: KD 12,000 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 2008 is negative KD 17,341 thousand. The Parent Company is only liable for losses equal to the contributed share capital of the subsidiary amounting to KD 3,030 thousand at the balance sheet date. Certain assets of the subsidiary amounting to KD 24,960 thousand have been pledged as collateral against this loan.

8 TREASURY SHARES

	31 March 2008	*(Audited) 31 December 2007*	*31 March 2007*
Number of treasury shares	**2,256,491**	853,991	283,500
Percentage of issued shares	**0.24%**	0.09%	0.04%
Market value in KD '000s	**2,618**	1,196	573
Cost in KD '000s	**2,824**	1,035	378

9 LOGISTICS AND FREIGHT FORWARDING REVENUES AND COST

The acquisition of new subsidiaries during 2007 has contributed to the increase in logistics and freight forwarding revenues, cost of revenue 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 as follows:

	Three months ended 31 March	
	2008	*2007*
	Shares	*Shares*
		(Restated)
Weighted average number of shares outstanding	**1,046,836,709**	1,046,836,709
Weighted average number of treasury shares	**(1,066,827)**	(1,282,189)
Weighted average number of shares outstanding, net of treasury shares	**1,045,769,882**	1,045,554,520
	KD '000s	*KD '000s*
Profit attributable to equity holders of the Parent Company	**37,536**	41,717
Basic and diluted earnings per share	**35.89 fils**	39.90 fils

Basic and diluted earnings per share for three month period ended 31 March 2007 was 43.89 fils, before retroactive adjustment relating to the issue of bonus shares at 10% of the paid up capital for the year ended 31 December 2007 and approved by the shareholders in the annual general meeting dated 13 May 2008.

11 COMMITMENTS AND CONTINGENCIES

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

		(Audited)	
	31 March 2008 KD '000s	*31 December 2007 KD '000s*	*31 March 2007 KD '000s*
Documentary letters of credit	**-**	-	348
Letters of guarantee	**38,665**	39,267	28,769
Operating lease commitments	**26,953**	31,590	38,075
Capital commitments	**10,992**	12,355	21,149
	76,610	83,212	88,341

11 COMMITMENTS AND CONTINGENCIES (continued)

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

Included in letters of guarantee are bank guarantees for KD 31,372 thousand, provided by a bank on behalf of the subsidiary, Global Clearing House Systems K.S.C. (Closed), to the General Administration of Customs in the State of Kuwait. These guarantees are issued by the bank on a non-recourse basis to the Group. The net worth of the subsidiary at 31 March 2008 is negative KD 17,341 thousand. The Parent Company is only liable for losses equal to the contributed share capital of the subsidiary amounting to KD 3,030 thousand. During the year ended 31 December 2007, the Department of Customs called a guarantee of KD 10,092 thousand. As further explained below, the subsidiary did not charge this payment to the income statement.

Legal claims

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

As at 31 March 2008, the Parent Company (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigation and, as no formal allegations have yet been made, the management has concluded that no provision is considered necessary in the accompanying interim condensed consolidated financial information.

(b) Freight forwarding business - investigation
In October 2007, certain subsidiaries in the Group received formal notifications from the competition authorities of the EU, the United States, Canada and New Zealand confirming that they are being investigated as part of an industry-wide investigation into the setting of surcharges and fees by the freight forwarders. These subsidiaries are fully cooperating with these authorities.

As at 31 March 2008, the Group's management (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigations and as no formal allegations have yet been made against these subsidiaries, the management has concluded that no provision is considered necessary in the accompanying interim condensed consolidated financial information.

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

The Parent Company protested against this order through case No. 940/2006 "Administrative". In the Hearing held on 25 December 2006, the court pronounced its ruling to repeal the aforesaid Resolution of the 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 case No. 36/2007 and assured, in its statement of defence, which is in agreement with the provisions of the law, as confirmed by the Supreme Court including the Kuwait Court of Cessation, that the new Resolution is void, because it has been made on the same subject of the previous resolution. In the opinion of external legal counsel, the court shall pronounce its judgment to revoke the new Resolution issued by the Public Authority of Industry, because it has been based on wrong objects. The Resolutions issued by the governmental authorities are merely of financial concerns that shall be resolved by the courts to establish the Parent Company's rights in such contracts.

11 COMMITMENTS AND CONTINGENCIES (continued)

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

The Parent Company has not recognised any revenue on the aforementioned contracts since 1 January 2007.

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.

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

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

(e) Guarantee encashment
A Resolution has been issued by the General Administration of Customs for Kuwait ("GAC") to cash a portion, amounting to KD 10,092 thousand of the bank guarantee submitted by Global Clearing House Systems K.S.C. (Closed) (the "Company") in 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 been encashed, are non-contractual violations, and in accordance with the law, believe that a verdict shall be issued in favour of the Company to return the encashed portion of the guarantee plus interest of 7%. The Parent Company holds a 51% investment in this Company. Management believes that this matter is incidental and will be resolved in the courts during 2008 and, accordingly, no expense has been recorded in the accompanying interim condensed consolidated financial information.

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

12 PROPOSED DIVIDENDS

On 20 March 2008, the Board of Directors proposed a cash dividend of 80 fils per share and bonus shares at 10% or 10 shares per 100 shares of paid up share capital in respect of the year ended 31 December 2007 which was subsequently approved by the shareholders at the annual general meeting held on 13 May 2008.

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:

	Major shareholders KD '000s	*Associates KD '000s*	*Other related parties KD '000s*	***Three month period ended 31 March 2008 KD '000s***	(Audited) *Year ended 31 December 2007 KD '000s*	*Three month period ended 31 March 2007 KD '000s*
Interim condensed consolidated income statement						
Purchases (net of discounts)	-	-	**10,599**	**10,599**	46,843	10,856
Fees for management Services	-	-	-	-	-	2
Interim condensed consolidated balance sheet						
Amounts due to related parties	**1,037**	-	**12,150**	**13,187**	14,488	4,534

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

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

	Three month ended 31 March 2008 KD '000s	*Three month ended 31 March 2007 KD '000s*
Short-term benefits	**180**	169
Employees' end of service benefits	**36**	35
Share-based payments	**975**	975
	1,191	1,179

14 SEGMENT REPORTING

The Group's efforts to re-organise and integrate its business activities were substantially completed during later part of 2007. However, internal reporting systems are not fully in place to facilitate the process of segment reporting.

Therefore, for the current period, geographic segments continue to be determined to be the primary segments for the purpose of segmental reporting.

For the year ending 31 December 2008, management expects the internal reporting systems to be in place after which the primary segments will be the business segments as follows:

- Global Integrated Logistics (GIL);

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

- Defence and Government Services (DGS); and

  The DGS segment provides logistics and freight services to clients mainly consisting of government, civilian and military agencies and other international multi-lateral organisations.

- Investments

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

14 SEGMENT REPORTING (continued)

The Group operates in different geographical areas. A geographical analysis based on location of assets and liabilities is as follows:

Three month ended **31 March 2008**	*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*
Income	292,438	132,710	57,963	7,059	490,170	(42,965)	447,205
Expenses	(242,057)	(132,491)	(66,763)	(6,064)	(447,375)	42,965	(404,410)
Segment results	50,381	219	(8,800)	995	42,795	-	42,795
Interest income							5,900
Finance costs							(7,233)
Miscellaneous income							724
Taxes (Income tax and NLST)							(1,339)
Unallocated corporate charges							(832)
Profit for the period							40,015

Three month ended 31 March 2007	*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*
Income	244,558	131,149	34,520	1,007	411,234	(23,580)	387,654
Expenses	(191,177)	(131,800)	(41,264)	(1,898)	(366,139)	23,580	(342,559)
Segment results	53,381	(651)	(6,744)	(891)	45,095	-	45,095
Interest income							4,600
Finance costs							(4,687)
Miscellaneous income							846
Taxes (Income tax and NLST)							(1,463)
Unallocated corporate charges							(476)
Profit for the period							43,915