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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE PUBLIC WAREHOUSING COMPANY - K.S.C.

We have audited the accompanying consolidated financial statements of The Public Warehousing Company - K.S.C. (the "Parent Company") and Subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2006, the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's Responsibility for the Financial Statements

The Parent Company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the company's management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Qualification

As further discussed in note 30 to the consolidated financial statements, a performance guarantee has been encashed by a counterparty in relation to non performance of obligations under a contract operated by a subsidiary of the group, amounting to KD 10.1 million. A liability has not been booked in the consolidated financial statements in relation to this, which practice, in our opinion, is not in accordance with International Financial Reporting Standards. Accordingly, accounts payable and other credit balances should be increased by KD 10.1 million and profit for the year and retained earnings should be reduced by KD 10.1 million, respectively.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE PUBLIC WAREHOUSING COMPANY - K.S.C. (continued)

Opinion
In our opinion, except for the mater referred to in the preceding paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter - Prime vendor services contract
Without qualifying our opinion, we draw attention to note 30 to the consolidated financial statements. 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 consolidated financial statements, 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 consolidated financial statements.

Emphasis of matter - Cancelled lease contracts
Without qualifying our opinion, we draw attention to note 30 to the consolidated financial statements. 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 consolidated financial statements, 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 consolidated financial statements.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the parent company's articles of association have occurred during the year ended 31 December 2006 that might have had a material effect on the business of the group or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

NAYEF M. AL-BAZIE
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Member of RSM International

29 March 2007

Kuwait

CONSOLIDATED BALANCE SHEET

At 31 December 2006

	Notes	*2006* *KD '000s*	*2005* *KD '000s*
ASSETS			
Current assets			
Cash and bank balances	3	**315,002**	200,684
Accounts receivable - net	4	**271,935**	214,269
Inventories	5	**59,235**	64,312
Investments carried at fair value through statement of income		**2,174**	2,592
Other current assets	6	**54,206**	27,929
Total current assets		**702,552**	509,786
Non current assets			
Investments in joint ventures	7	**859**	839
Investments available for sale	8	**1,820**	2,409
Investments in associates	9	**2,395**	1,271
Investment properties	10	**188,228**	160,590
Fixed assets	11	**193,348**	174,293
Projects in progress	12	**18,752**	22,762
Intangible assets	13	**20,386**	-
Goodwill	14	**188,162**	162,992
Other non current assets		**3,875**	5,529
Total non current assets		**617,825**	530,685
TOTAL ASSETS		**1,320,377**	1,040,471
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other credit balances	16	**301,613**	188,685
Short term loans and current portion of term loans	17	**91,820**	25,993
Taxes payable	18	**12,242**	9,493
Dividends payable to shareholders		**2,634**	1,474
Total current liabilities		**408,309**	225,645
Non current liabilities			
Term loans	17	**133,244**	195,532
Bonds	19	**29,457**	29,529
Provision for end of service benefits	20	**13,198**	14,192
Other non current liabilities	21	**30,652**	20,600
Total non current liabilities		**206,551**	259,853
Equity attributable to equity holders of the parent			
Share capital	22	**79,306**	68,962
Share premium		**152,650**	152,650
Statutory reserve	23	**39,653**	36,777
Treasury shares	24	**(3,038)**	(17,467)
Treasury shares reserve		**42,918**	42,825
Foreign currency translation reserve		**(1,745)**	(232)
Investment revaluation reserve		**(309)**	(305)
Retained earnings		**378,682**	263,317
		688,117	546,527
Minority interest		**17,400**	8,446
Total equity		**705,517**	554,973
TOTAL LIABILITIES AND EQUITY		**1,320,377**	1,040,471

Tarek Abdul Aziz Sultan
Chairman and Managing Director

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2006

	Notes	*2006* *KD '000s*	*2005* *KD '000s*
Revenue:			
Rental revenue		**23,155**	22,843
Customs consulting fees		**15,929**	13,566
Logistics services revenue	25	**318,183**	207,204
Freight and project forwarding revenue		**646,561**	202,129
Other services		**9,224**	7,495
Total operating revenue		**1,013,052**	453,237
Operating expenses:			
Freight and project forwarding expenses		**514,594**	158,489
Salaries and employee benefits		**170,132**	81,288
Professional and legal fees		**36,025**	23,808
Depreciation	11	**33,242**	17,787
Amortisation	13	**1,500**	-
Travel and marketing		**13,138**	6,508
Rent		**15,438**	5,852
Provision for doubtful accounts receivable		**1,256**	411
Other general and administrative expenses		**53,295**	32,921
Total operating expenses		**838,620**	327,064
Profit from operations		**174,432**	126,173
Other income (expense):			
Change in fair value of investment properties	10	**4,173**	22,150
Interest income		**15,840**	3,252
Interest expense		**(18,258)**	(7,546)
Investment income	26	**1,335**	1,043
United Nations compensation claim		**-**	1,749
Other income		**2,460**	1,854
Total other income – net		**5,550**	22,502
Profit for the year before tax		**179,982**	148,675
Income tax		**(4,633)**	(1,101)
National Labour Support tax		**(4,270)**	(3,314)
Profit for the year after tax		**171,079**	144,260
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(1,725)**	(1,358)
Directors' remuneration		**(165)**	(175)
PROFIT FOR THE YEAR		**169,189**	142,727
Attributable to:			
Equity holders of the parent company		**166,517**	141,850
Minority interest		**2,672**	877
		169,189	142,727
BASIC AND DILUTED EARNINGS PER SHARE	27	**212.21 Fils**	191.60 Fils

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2006

	Note	***2006*** ***KD '000s***	*2005* *KD '000s*
OPERATING ACTIVITIES			
Profit for the year before tax		**179,982**	148,675
Adjustments for:			
Provision for end of service benefits		**1,502**	1,558
Depreciation		**33,242**	17,787
Amortisation		**1,500**	-
Provision for doubtful accounts receivable		**1,256**	411
Change in fair value of investment properties		**(4,173)**	(22,150)
Interest income		**(15,840)**	(3,252)
Interest expense		**18,258**	7,546
Investment income		**(1,335)**	(1,043)
Operating profit before working capital changes		**214,392**	149,532
Increase in accounts receivable		**(17,479)**	(49,235)
Decrease in inventories		**7,317**	2,598
Increase in other current assets		**(3,064)**	(2,339)
Increase (decrease) in accounts payable and other credit balances		**44,155**	(3,407)
Cash from operations		**245,321**	97,149
Interest received		**15,840**	3,252
Interest paid		**(18,258)**	(7,546)
National Labour Support tax and income tax paid		**(5,618)**	(844)
Paid to KFAS		**(2,264)**	(342)
Remuneration paid to Directors		**(165)**	(140)
Employee end of service benefits paid		**(2,495)**	(324)
Net cash from operating activities		**232,361**	91,205
INVESTING ACTIVITIES			
Purchase of investment in joint venture		**-**	(423)
Net movement in investments available for sale		**68**	885
Sale of investment in an associate		**1,852**	-
Purchase of investment properties		**(8,223)**	(3,247)
Purchase of fixed assets		**(31,183)**	(72,728)
Payments for projects in progress		**(16,085)**	(34,427)
Acquisition of subsidiaries, net of cash acquired		**(38,179)**	(140,993)
Acquisition of additional interest in subsidiaries		**(1,938)**	-
Increase in short term bank deposits		**(115,389)**	-
Net cash used in investing activities		**(209,077)**	(250,933)
FINANCING ACTIVITIES			
Dividends paid to shareholders		**(36,774)**	(399)
Proceeds from issue of share capital		**-**	159,750
Net movement in term loans		**(2,103)**	148,431
Proceeds from sale of treasury shares		**18,055**	44,425
Purchase of treasury shares		**(3,533)**	(17,107)
Proceeds from issue of bonds		**-**	7,411
Net cash (used in) from financing activities		**(24,355)**	342,511
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,071)**	182,783
Cash and cash equivalents at beginning of the year		**200,684**	17,901
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3	**199,613**	200,684

The attached notes 1 to 36 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	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 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	-	-	-	-	-	(1,513)	(4)	-	(1,517)	(50)	(1,567)
Total income (expense) for the year recognised directly in equity	-	-	-	-	-	(1,513)	(4)	-	(1,517)	(50)	(1,567)
Profit for the year	-	-	-	-	-	-	-	166,517	166,517	2,672	169,189
Total income (expense) for the year	-	-	-	-	-	(1,513)	(4)	166,517	165,000	2,622	167,622
Dividends paid (Note 28)	-	-	-	-	-	-	-	(37,932)	(37,932)	-	(37,932)
Issue of bonus shares	10,344	-	-	-	-	-	-	(10,344)	-	-	-
Purchase of treasury shares	-	-	-	(3,533)	-	-	-	-	(3,533)	-	(3,533)
Sale of treasury shares	-	-	-	17,962	93	-	-	-	18,055	-	18,055
Arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	8,270	8,270
Arising on acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	(1,938)	(1,938)
Transfer to statutory reserve	-	-	2,876	-	-	-	-	(2,876)	-	-	-
Balance at 31 December 2006	**79,306**	**152,650**	**39,653**	**(3,038)**	**42,918**	**(1,745)**	**(309)**	**378,682**	**688,117**	**17,400**	**705,517**

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	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 2005, as previously reported	42,663	-	22,107	(1,960)	-	(582)	-	141,075	203,303	3,378	206,681
Effect of adoption of IAS 40 (revised)	-	-	-	-	-	-	-	14,261	14,261	-	14,261
Restated balance at 1 January 2005	42,663	-	22,107	(1,960)	-	(582)	-	155,336	217,564	3,378	220,942
Foreign currency translation adjustments	-	-	-	-	-	350	-	-	350	-	350
Change in fair value of investments available for sale	-	-	-	-	-	-	(305)	-	(305)	-	(305)
Total income (expense) for the year recognised directly in equity	-	-	-	-	-	350	(305)	-	45	-	45
Profit for the year	-	-	-	-	-	-	-	141,850	141,850	877	142,727
Total income (expense) for the year	-	-	-	-	-	350	(305)	141,850	141,895	877	142,772
Issue of bonus shares	19,199	-	-	-	-	-	-	(19,199)	-	-	-
Issue of share capital	7,100	152,650	-	-	-	-	-	-	159,750	-	159,750
Purchase of treasury shares	-	-	-	(17,107)	-	-	-	-	(17,107)	-	(17,107)
Sale of treasury shares	-	-	-	1,600	42,825	-	-	-	44,425	-	44,425
Arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	4,191	4,191
Transfer to statutory reserve	-	-	14,670	-	-	-	-	(14,670)	-	-	-
Balance at 31 December 2005	**68,962**	**152,650**	**36,777**	**(17,467)**	**42,825**	**(232)**	**(305)**	**263,317**	**546,527**	**8,446**	**554,973**

The attached notes 1 to 36 form part of these consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

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

The main objectives of the Parent Company are as follows:

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

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

The consolidated financial statements were authorised for issue by the Board of Directors on 29 March 2007. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments carried at fair value through statement of income, investments available for sale, investment properties and derivative financial instruments.

The consolidated financial statements have been presented in thousands of Kuwaiti Dinars.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (the "Group") as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the statement of income and within equity in the consolidated balance sheet, separately from Parent Company's shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Changes in accounting policies
The accounting policies are consistent with those used in the previous financial year except as follows:

The Group has adopted the following new applicable and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations during the year. Adoption of these revised standards and interpretations did not have any material effect on the consolidated financial statements of the Group. They did however give rise to additional disclosures.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies

- Amendment to IAS 19 *Employee Benefits*
- Amendment to IAS 21 *The Effect of Changes in Foreign Exchange Rates*
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*

IAS 19 Employee Benefits
As of 1 January 2006, the Group adopted the amendments to IAS 19. As a result, additional disclosures are made providing information about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. This change has resulted in additional disclosures being included for the years ending 31 December 2006 and 31 December 2005 but has not had a recognition or measurement impact, as the Group chose not to apply the new option offered to recognise actuarial gains and losses outside of the statement of income.

IAS 21 The Effects of Changes in Foreign Exchange Rates
As of 1 January 2006, the Group adopted the amendments to IAS 21. As a result, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. This change has had no significant impact as at 31 December 2006 or 31 December 2005.

IAS 39 Financial Instruments: Recognition and Measurement
Amendment for hedges of forecast intragroup transactions (issued April 2005) – amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. This amendment did not have an effect on the consolidated financial statements.

Amendment for the fair value option (issued June 2005) – amended IAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the statement of income. This amendment did not have an effect on the consolidated financial statements.

The following International Accounting Standards Board ("IASB") Standards and Interpretations applicable to the Group have been issued but are not yet mandatory, and have not yet been adopted by the Group:

Amendment to *IAS 1 Presentation of Financial Statements – Capital Disclosures*
IFRS 7 *Financial Instruments: Disclosures*
IFRS 8 *Operating Segments*
IFRIC Interpretation 8 *Scope of IFRS 2*
IFRIC Interpretation 11 *IFRS 2 Group and Treasury Share Transactions*

Amendments to IAS 1 *Presentation of Financial Statements* relating to capital disclosures were issued by the IASB in August 2005. They are required to be applied for periods beginning on or after 1 January 2007. When effective, these amendments will require disclosure of information enabling evaluation of the Group's objectives, policies and processes for managing capital.

IFRS 7 *Financial Instruments: Disclosures* was issued by the IASB in August 2005, becoming effective for periods beginning on or after 1 January 2007. The new standard will require additional disclosure of the significance of financial instruments for the Group's financial position and performance and information about exposure to risks arising from financial instruments.

IFRS 8 *Operating Segments* was issued by the IASB in November 2006 and will be effective for annual periods beginning on or after 1 January 2009. Under the requirements of the standard, the Group would be required to disclose information used by management internally for the purpose of evaluating the performance of operating segments and allocating resources to those segments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 39 Finanial Instruments: Recognition and Measurement (continued)

The application of IFRIC Interpretation 8 will be effective for annual periods beginning on or after 1 May 2006. IFRIC 8 clarifies treatment when equity instruments are granted or liabilities assumed (based on the value of an entity's equity instruments) and the identifiable consideration appears to be less than the fair value of instruments given. The application of IFRIC 8 is not expected to have a material impact on the consolidated financial statements of the Group.

The application of IFRIC Interpretation 11 will be effective for annual periods beginning on or after 1 March 2007. IFRIC 11 requires arrangements whereby the entity's equity instruments are to be accounted for as an equity-settled share scheme even if the entity chooses or is required to buy those instruments from a third party, or the shareholders of the entity provide the equity instruments as needed.

Significant judgments and estimations

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as investments available for sale or investments carried at fair value through statement of income.

Classification of investments as fair value through statement of income depends on how management monitor the performance of these investments. When investments have readily available reliable fair values and the changes in fair values are reported as part of the statement of income in the management accounts, they are classified as fair value through statement of income.

All other investments are classified as available for sale.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and indefinite life intangible assets

The Group determines whether goodwill and indefinite life of intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and intangible assets with an indefinite life at 31 December 2006 were KD 188,162 thousand and KD 20,386 thousand, respectively (2005: KD 162,992 thousand and Nil, respectively). More details are given in Notes 14 and 15.

Pension and other post employment benefits

The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at 31 December 2006 is KD 13,198 thousand (2005: KD 14,192 thousand). Further details are given in Note 20.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation of investment properties
Fair value of investment properties have been assessed by an independent real estate appraiser. Two main methods were used to determine the fair value of property interests in investment properties; (a) formula based discounted cash flow analysis and (b) comparative analysis as follows:

(a) Formula based discounted cash flow, is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

(b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were KD 312,527 thousand (2005: KD 249,770 thousand), and the provision for doubtful debts was KD 40,592 thousand (2005: KD 35,501 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, gross goods for resale were KD 31,965 thousand (2005: KD 41,759 thousand), with provisions for old and expired inventories of KD 158 thousand (2005: KD 750 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of income.

Cash and cash equivalents
Cash includes cash in hand and at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less, and that are subject to an insignificant risk of change in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when incurred.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition on a specific identification basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment securities
These are classified as follows:

- Available for sale
- Investments carried at fair value through statement of income

Investment securities are initially measured at cost, being the fair value of the consideration given, plus, in the case of investments not at fair value through statement of income, directly attributable transaction costs.

Available for sale
After initial recognition, investments which are classified as "available for sale" are remeasured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Fair value changes are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported within equity is included in the statement of income for the period.

Investments carried at fair value through statement of income
After initial recognition investments which are classified as "investments carried at fair value through the statement of income" are remeasured at fair value with all changes in the fair value being recorded in the statement of income.

Joint ventures
Joint ventures are those enterprises over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of the joint venture, under the equity method, from the date that joint control effectively commences until the date that joint control effectively ceases. Unrealised gains resulting from transactions with joint ventures are eliminated against the investment in the joint venture to the extent of the Group's share in the venture. Unrealised losses are eliminated in the same way as unrealised gains, unless there is an indication of impairment in value.

Fair values of financial instruments
For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market bid prices.

For financial instruments where there is no active market, fair value is normally based on one of the following:
- recent transactions
- brokers' quotes
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics
- option pricing models.

Investment in associates
Associates are those enterprises over which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates, under the equity method of accounting, from the date that significant influence effectively commences until the date that significant influence effectively ceases. Unrealised gains resulting from transactions with associated companies are eliminated against the investment in the associates to the extent of the Group's share in the associates. Unrealised losses are eliminated in the same way as unrealised gains unless there is an indication of impairment in value. The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investment properties
Investment properties are initially recorded at cost being the fair value of the consideration given and including acquisition charges associated with the investments. After initial recognition, the properties are remeasured to fair value on an individual basis with any gain or loss arising from a change in fair value being included in the statement of income in the period in which it arises.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Periodically, valuations are carried out by an independent valuer who has recent experience in the location and category of the investment property being valued, on the bases referred to above.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to subsequent lease.

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under fixed assets up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of income.

Fixed assets and depreciation
Fixed assets are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of fixed assets comprises their purchase price and any directly attributable costs of bringing the asset to its working condition and location. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of fixed assets.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	15 to 30 years
Tools, machinery and equipment	2 to 10 years
Vehicles and ships	2 to 10 years
Furniture, fixtures, software, computers and telecommunication equipment	3 to 5 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Business combinations and goodwill
Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, those adjustments that are probable and can be measured reliably are included in the cost of the combination at the acquisition date. If the future events do not occur or the estimate needs to be revised, the cost of the business combination is adjusted accordingly. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Customer contracts
Customer contracts are amortized over the period of the respective expected future sales generated from the related contracts in the range of 5 to 10 years.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Customer lists
The customer list is amortized over a period of 15 years, which is determined to be the expected period of benefit from holding this list.

Brand
The brand is assumed to have an indefinite useful life and is subject to impairment testing on atleast an annual basis.

Accounts payable
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Interest bearing loans and borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the amortisation process.

Derivative financial instruments
Derivatives are stated at fair value. For derivative financial instruments designated as held for trading, gains or losses arising from changes in the fair value of the instrument are taken directly to the statement of income for the period.

Income taxes
Certain of the Parent Company's subsidiaries are subject to taxes on income in various foreign jurisdictions. Taxes payable are provided on taxable profits at the current rate in accordance with the fiscal regulations in the country where the subsidiary is located. Deferred income tax is provided, using the liabilities method, on all temporary differences at the balance sheet date, between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes, based on laws that have been enacted at the balance sheet date.

Fixed rate bonds issued
Fixed rate bonds issued are initially recognised at cost being their issue proceeds less transaction costs. Subsequently fixed rate bonds issued are carried at amortised cost less amounts redeemed.

Employees' end of service benefits
The Group has a number of defined benefit pension plans that cover a substantial number of employees. Retirement benefits are provided based on compensation as defined by local labour laws or employee contracts. The Group's policy is to fund these plans in accordance with local practice and contributions are made in accordance with actuarial valuations. Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised gain or loss exceeds 10% of the higher of the defined benefit obligation and the fair value of the plan assets. These gains and losses are amortised over the expected average remaining working lives of the employees.

The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)
If the asset is measured at the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognised immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognised immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognised immediately if the asset is measured at the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognised immediately.

Share based payment transactions
Certain employees of the group receive remuneration in the form of share based payment transactions whereby employees render services in exchange for share options. Share options may be settled at the discretion of the Parent Company by paying cash equivalent to the theoretical value of the option at the date of exercise.

The cost of services received from employees is recorded over the period in which service conditions are fulfilled under the intrinsic method of valuation. Under this method, cost is determined by comparing the market value of the Parent Company's shares at each reporting date to the exercise price with any change in intrinsic value recognised in the statement of income.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

A property interest that is held by the Group under an operating lease may be classified and accounted for as investment property when the property otherwise meets the definition of an investment property, evaluated property by property, and based on management's intention. The initial cost of a property interest held under a lease and classified as an investment property is determined at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.

Provisions
A provision is recognised when, and only when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares
Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, proceeds in excess of cost are credited to a separate account in equity (treasury shares reserve) which is not distributable. Any deficiency in proceeds is charged to the same account to the extent of the credit balance on that account. Gains realised subsequently on the sale of treasury shares are used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve. No cash dividends are paid on these shares. The issuance of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rental revenue
Rental income arising on investment properties is accounted for on a straight line basis over the lease terms.

Customs consulting fees
The Group recognises revenue under the scope of its customs consulting and related service contracts upon completion of services.

Logistics services revenue
Logistics services revenue primarily comprises inventory management, order fulfilment and transportation services. Revenues from transportation services are recognised by reference to the stage of completion. Stage of completion is measured by reference to the total transportation days completed to date as a percentage of total transportation days for each contract. Other logistics services are recognised upon completion of the services.

Freight forwarding and project forwarding revenue
The Group generates freight forwarding revenues by purchasing transportation capacity from independent air, ocean and overland transportation providers and reselling that capacity to customers. Revenues are recognised upon completion of services.

Interest income
Revenue is recognised as interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Foreign currencies
The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;
(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

3 CASH AND BANK BALANCES

Cash and bank balances include the following amounts:

	2006 KD '000s	*2005 KD '000s*
Cash in hand and at bank	**45,529**	40,689
Deposits with original maturities up to three months	**154,084**	159,995
Cash and cash equivalents	**199,613**	200,684
Add: Deposits with original maturities exceeding three months	**115,389**	-
Total	**315,002**	200,684

Deposits carry interest at fixed commercial rates. Included in cash and bank balances are balances denominated in foreign currencies amounting to KD 50,575 thousand (2005: KD 18,236 thousand), mainly in U.S Dollars.

4 ACCOUNTS RECEIVABLE - NET

	2006 KD '000s	*2005 KD '000s*
Trade accounts receivable	**312,527**	249,770
Provision for doubtful accounts	**(40,592)**	(35,501)
	271,935	214,269

5 INVENTORIES

	2006 KD '000s	*2005 KD '000s*
Goods for resale	**31,965**	41,759
Goods in transit	**27,428**	23,303
	59,393	65,062
Provision for obsolete and slow moving inventories	**(158)**	(750)
	59,235	64,312

Inventories of goods for resale and goods in transit mainly include items held in stock for delivery to logistics clients as part of turnkey logistics supply contracts.

6 OTHER CURRENT ASSETS

	2006	*2005*
	KD '000s	*KD '000s*
Advances to suppliers	**22,863**	7,447
Prepaid expenses and refundable deposits	**15,659**	9,837
Staff receivables	**1,433**	754
Accrued income	**4,463**	3,432
Other assets	**9,788**	6,459
	54,206	27,929

7 INVESTMENTS IN JOINT VENTURES

The scope of the Group's joint venture activities consists of custom consultancy services, aviation services, and distribution services. The Group's percentage interest in the ventures is 50% (2005: 50%).

8 INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise of unquoted investments, the fair values of which have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. Management believe the estimated fair values resulting from the valuation technique 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.

9 INVESTMENTS IN ASSOCIATES

The Group holds 10 investments in associates at 31 December 2006 (2005: 7). These are unquoted companies engaged in activities similar to the Parent Company and its subsidiaries.

There is no goodwill included in the carrying value of investments in associates.

The following table illustrates summarised financial information of the Group's share of investments in associates:

	2006	*2005*
	KD '000s	*KD '000s*
Share of the associate's balance sheet		
Assets	**3,997**	4,077
Liabilities	**1,602**	2,806
Net assets	**2,395**	1,271
Share of the associate's revenue and profit		
Revenues	**11,176**	4,112
Profit for the year	**148**	115

10 INVESTMENT PROPERTIES

	2006 *KD '000s*	*2005* *KD '000s*
Balance at 1 January	**160,590**	113,410
Effect of adoption of IAS 40 (revised)	**-**	15,991
Transfers from projects in progress	**9,523**	4,021
Additions	**13,942**	5,018
Change in fair value during the year	**4,173**	22,150
Balance at 31 December	**188,228**	160,590

Additions to investment properties include leases capitalised within the year with a cost equivalent to the present value of future minimum lease payments amounting to KD 5,719 thousand (2005: KD 1,771 thousand). The excess of fair value over the cost of these property interests, amounting to KD 4,173 (2005: KD 16,539 thousand), has been recognised in the statement of income within the year.

The balance of investment properties at 31 December 2006 comprises property held under operating leases amounting to KD 65,667 (2005: KD 38,107 thousand) and properties held on leased land amounting to KD 122,561 (2005: KD 122,483 thousand). Lease periods range from five to twenty years and are renewable.

Included in investment properties is a property with a carrying value of KD 20,892 thousand, for which development work has commenced during the year. Accordingly, no revaluation gains have been recorded on this property during the current period.

Included in investment properties is a property with a carrying value of KD 14,858 thousand, including unrealised gains of KD 1,931 thousand recorded in previous periods, that is subject to ongoing litigation arising from a claim filed by and against the Parent Company with respect to a certain lease contracts, which have been cancelled by the counterparty at the balance sheet date (Note 30).

11 FIXED ASSETS

	Buildings and improvements KD '000s	*Tools, machinery and equipment KD '000s*	*Vehicles and ships KD '000s*	*Furniture, fixtures, software, computers and telecom-munication equipment KD '000s*	*Total KD '000s*
Cost:					
1 January 2006	54,101	22,321	117,687	40,260	234,369
Additions	4,967	6,841	13,042	6,333	31,183
Transfer from projects in progress	3,614	685	5,705	568	10,572
Disposals	(725)	(522)	(796)	(1,069)	(3,112)
Arising on acquisition of subsidiaries	7,790	2,210	480	668	11,148
Foreign currency translation differences	108	147	45	158	458
31 December 2006	**69,855**	**31,682**	**136,163**	**46,918**	**284,618**
Accumulated depreciation and impairment:					
1 January 2006	10,471	11,082	13,454	25,069	60,076
Charge for the year	5,169	5,288	15,873	6,912	33,242
Relating to disposals	(530)	(295)	(539)	(684)	(2,048)
31 December 2006	**15,110**	**16,075**	**28,788**	**31,297**	**91,270**
Net book value:					
31 December 2006	**54,745**	**15,607**	**107,375**	**15,621**	**193,348**
31 December 2005	43,630	11,239	104,233	15,191	174,293

Parent Company's buildings with a carrying value of KD 7,669 thousand (2005: KD 7,875 thousand) are erected on land from local Governments leased for periods ranging from of five to twenty years and are renewable.

12 PROJECTS IN PROGRESS

Projects in progress comprise the cost of assets acquired and under construction that are not available for use at the balance sheet date. These assets will be used for providing logistics services and for generating rental and transportation revenues.

	***2006* KD '000s**	*2005 KD '000s*
Balance at 1 January	**22,762**	38,690
Additions	**17,184**	34,427
Transfer to fixed assets	**(10,572)**	(46,334)
Transfer to investment properties	**(9,523)**	(4,021)
Disposals	**(1,099)**	-
Balance at 31 December	**18,752**	22,762

13 INTANGIBLE ASSETS

	Customer contracts KD '000s	*Customer lists KD '000s*	*Brand KD '000s*	*Total KD '000s*
Cost:				
On acquisition of subsidiaries (Note 14)	9,894	7,271	4,721	21,886
At 31 December 2006	**9,894**	**7,271**	**4,721**	**21,886**
Amortisation and impairment:				
Amortisation	(818)	(682)	-	(1,500)
At 31 December 2006	**(818)**	**(682)**	**-**	**(1,500)**
Net book value:				
At 31 December 2006	**9,076**	**6,589**	**4,721**	**20,386**

The purchase price allocation has been performed by senior management of the Group having the knowledge and experience in the industry in which the subsidiaries acquired operate, and considering the valuation and due diligence exercises performed by external consulting firms prior to acquisition.

Customer contracts, customer lists and brand include intangible assets acquired through business combinations (Note 14). Customer contracts and customer lists with a cost of KD 7,578 thousand were acquired through business combinations during 2005. However, the final purchase price allocation and resultant fair value of these assets was only determined during 2006. The amortisation charge relating to 2005 amounts to KD 207 thousand, and the aggregate fair value of the related intangible assets amounts to KD 7,371 thousand, and these amounts are not material to the prior year's consolidated financial statements. Accordingly these amounts have been recognized in the statement of income and balance sheet respectively in the current year.

Customer contracts are amortised over the period of the respective expected future sales generated from the related contracts in the range of 5 to 10 years.

The customer list is amortised over a period of 15 years, which is determined to be the expected period of benefit from holding this list.

The brand is assumed to have an indefinite useful life. The brand was acquired in August 2006 and is subject to impairment testing within one year of this date.

14 GOODWILL

The goodwill arising on the acquisition of subsidiaries is summarised as follows:

	2006 KD '000s	*2005 KD '000s*
Cost:		
At 1 January	**168,270**	11,212
Effect of adoption of IFRS 3	**-**	(2,535)
Additions during the year	**47,576**	159,593
Transfer to intangible assets (Note 13)	**(21,886)**	-
Foreign exchange differences	**(520)**	-
At 31 December	**193,440**	168,270
Impairment:		
At 1 January	**5,278**	5,278
Impairment during the year	**-**	-
At 31 December	**5,278**	5,278
Net carrying value	**188,162**	162,992

14 GOODWILL (continued)

On 24 June 2006, the Group acquired 51% of the share capital of Gulf Catering Company for General Trade and Contracting W.L.L. for a cash consideration of KD 18,926 thousand excluding transaction costs of KD 50 thousand, and a contingent consideration with an estimated value of KD 18,738 thousand. The contingent consideration is payable in instalments upto 24 June 2008 based on the perfomance of the subsidiary over this period. The fair value of the identifiable assets and liabilities as on the date of acquisition is as follows:

	KD '000s
Total assets	24,176
Total liabilities	7,297
Minority interest	8,270
Fair value of net assets acquired	8,609
Goodwill arising on acquisition	29,105
Purchase consideration	37,714
Cash consideration paid	18,976
Less: cash and cash equivalents	696
Cash flow on acquisition net of cash acquired	18,280

Intangible assets in the form of customer contracts amounting to KD 5,618 thousand (Note 13) were recognised on acquisition of the subsidiary. The fair value of all other assets acquired and liabilities assumed were equivalent to their carrying values at the date of the acquisition. From the date of acquisition, Gulf Catering Company contributed KD 6,673 thousand to the profit of the Group.

On 17 August 2006, the Group acquired 100% of the share capital of Agility Logistics Limited and its subsidiaries for a cash consideration of KD 4,930 thousand excluding transaction costs of KD 134 thousand. An intangible asset in the form of a Brand with a fair value amounting to KD 4,721 thousand (Note 13), was recognised on acquisition of the subsidiary. The fair value of all other assets acquired and liabilities assumed were equivalent to their carrying values at the date of the acquisition. From the date of acquisition, Agility Logistics Limited and its subsidiaries have contributed KD 15 thousand to the profit of the Group.

On 29 September 2006, the Group acquired 100% of the share capital of Taos Industries Inc for a cash consideration of KD 10,186 thousand. Goodwill arising on the purchase amounted to KD 3,968 thousand, based on the fair value of the net assets acquired. Intangible assets in the form of customer contracts amounting to KD 3,968 thousand (Note 13) were recognised on acquisition of the subsidiary. The fair value of all other assets acquired and liabilities assumed were equivalent to their carrying values at the date of the acquisition. From the date of acquisition, Taos Industries Inc has contributed KD 932 thousand to the profit of the Group.

On 31 October 2006, the Group acquired 100% of the share capital of Cronat Transport Holding AG and its subsidiaries for a cash consideration of KD 8,936 thousand. Goodwill arising on the purchase amounted to KD 1,356 thousand, based on the fair value of the net assets acquired. From the date of acquisition, Cronat Transport Holding AG and its subsidiaries have contributed KD 35 thousand to the profit of the Group.

On 1 December 2006, the Group acquired 100% of the share capital of GeoLogistics CIS Services Inc for a cash consideration of KD 1,301 thousand. Goodwill arising on the purchase amounted to KD 1,016 thousand, based on the fair value of the net assets acquired.

Upon finalisation of the valuation of net assets acquired in respect of the acquisition of subsidiaries during 2005, the Group has recognised intangible assets with an estimated fair value on the date of acquisition of KD 7,578 thousand (Note 13).

15 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE WITH INDEFINITE LIFE

Goodwill and intangible assets with an indefinite useful life acquired through business combinations have been allocated to the logistics cash -generating unit, for impairment testing as follows:

	Logistics cash generating unit 2006 KD '000s
Carrying amount of goodwill	152,026
Carrying amount of intangible asset with an indefinite useful life	4,721
Total	**156,747**

Logistics cash generating unit

The recoverable amount of the logistics cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management for 2007 and assuming a 5% growth rate for the four year period thereafter, which is in the range of the current short term growth rate for the logistics industry. The pre-tax discount rate applied to cash flow projections is 8-9% and cash flows beyond the 5 year period are extrapolated using 3% growth rate which is below the long-term average growth rate for the logistics industry, on a conservative basis.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- Revenue;
- EBITDA;
- Discount rates:
- Growth rate used to extrapolate cash flows beyond the budget period.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the freight forwarding cash generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

16 ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2006 KD '000s	*2005 KD '000s*
Accounts payable	**184,089**	121,460
Amounts due to related parties (Note 32)	**9,046**	10,587
Accrued expenses	**57,055**	33,256
Current portion of amounts due for acquisition of Subsidiaries	**18,188**	-
Accrued leave and related expenses	**9,593**	8,453
Retentions	**5,246**	2,300
Kuwait Foundation for the Advancement of Sciences	**3,005**	2,179
Directors' remuneration	**165**	175
Others	**15,226**	10,275
	301,613	188,685

17 SHORT TERM LOANS AND TERM LOANS

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 purchase of GeoLogistics Corporation. Additional funding was obtained under the terms of the same agreement on 15 December 2005 amounting to US$ 90,000 thousand (equivalent to KD 26,280 thousand) for use in funding the operations of the Group. 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 31 December 2006, these covenants have been met. Each of the facilities carries interest at commercial floating rates.

Included in current portion of term loans and term loans, are loans amounting to KD 4,690 thousand (2005: 7,949 thousand) and KD 12,114 thousand (2005: 15,819 thousand) respectively, which are held by subsidiaries within the Group. Accounts receivable and certain other assets of the respective subsidiary companies are pledged as collateral against these loans. The loans carry interest at commercial floating rates.

Short term loans and current portion of term loans include loans denominated in Kuwaiti Dinars amounting to KD 49 thousand (2005: KD 73 thousand), loans denominated in US dollars amounting to KD 86,826 thousand (2005: KD 9,940 thousand), loans denominated in Euros amounting to KD 1,870 thousand (2005: KD 2,857 thousand), loans denominated in GBP amounting to KD 13 thousand (2005: KD 6,652 thousand), loans denominated in other currencies amounting to KD 3,062 thousand (2005: KD 6,471 thousand), all carrying interest at commercial floating rates.

Term loans due after one year from the balance sheet date include loans denominated in Kuwaiti Dinars amounting to KD 12,000 thousand (2005: KD 6,342 thousand), loans denominated in US dollars amounting to KD 115,406 thousand (2005: KD 25,689 thousand), and loans denominated in other currencies amounting to KD 5,838 thousand (2005: KD 2,901 thousand) These loans have final maturity dates up to 2013 and carry interest at commercial floating rates.

Included in term loans is an amount of KD 12,000 thousand in a subsidiary, Global Clearing House Systems KSC (Closed) on a non recourse basis. The networth of the subsidiary at 31 December 2006 is negative KD 12,576 thousand. The parent company is only liable for losses equal to the contributed share capital of the company amounting to KD 1,000 thousand at the balance sheet date. Assets of the company amounting to KD 4,586 thousand have been pledged as collateral against this loan.

18 TAXES PAYABLE

This is represented by the balance of the tax due on certain Group companies as at 31 December 2006, the details of which are as follows:

	2006 *KD '000s*	*2005* *KD '000s*
Subsidiaries located overseas		
Income tax payable		
ICS Incorporation Limited, UK	**333**	249
GeoLogistics Corporation	**3,684**	3,524
Cronat Transport Holding AG	**319**	-
Taos Industries Inc	**307**	-
Translink Group	**235**	176
Others	**40**	14
	4,918	3,963
Kuwait National Labour Support tax		
Public Warehousing Company K.S.C.	**7,284**	5,337
Metal & Recycling Company K.S.C.	**40**	193
	12,242	9,493

National Labour Support tax is calculated in accordance with the applicable provisions of Kuwait Law currently in force.

Deferred tax arising in overseas locations is not material to the consolidated financial statements.

19 BONDS

On 30 September 2003, the Parent Company issued fixed rate bonds composed of two currencies; US Dollar bonds in principal amount of US Dollars 50,000 thousand; and Kuwait Dinar bonds in principal amount of Kuwaiti Dinars 15,000 thousand. The issue price of US Dollar bonds and Kuwait Dinar bonds is 100 per cent of their principal amount. Each bond series is to be issued in four semi-annual tranches commencing 30 September 2003.

The US Dollar bonds bear interest fixed at the rate of 4% per annum. The Kuwait Dinar bonds bear interest fixed at the rate of 5% per annum. The interest for the US Dollar bonds and the Kuwait Dinar bonds will accrue as of the issue date of each tranche and will be payable semi-annually in arrears commencing six months from the issue date of each tranche.

The bonds mature on 30 September 2008. The Parent Company has an option to extend the final maturity date of the bonds to 30 September 2009. The bonds may be redeemed, at the Parent Company's sole discretion, in whole or in part, at par, at each coupon payment date after the second anniversary of the issuance of the first tranche.

20 PROVISION FOR END OF SERVICE BENEFITS

The Group has a number of defined benefit pension plans that cover a substantial number of employees. Retirement benefits are provided based on compensation as defined by local labour laws or employee contracts. The Group's policy is to fund these plans in accordance with local practice and contributions are made in accordance with actuarial valuations.

20 PROVISION FOR END OF SERVICE BENEFITS (continued)

	2006 *KD '000s*	*2005* *KD '000s*
Movements in the provision recognised in the balance sheet are as follows:		
Provision as at 1 January	**14,192**	1,302
Arising on acquisition of subsidiary companies	**-**	11,656
Provided during the year	**1,502**	1,558
End of service benefits paid	**(2,496)**	(324)
Provision as at 31 December	**13,198**	14,192

Through the acquisition of GeoLogistics Corporation in 2005, the Group has assumed responsibility for defined benefit plans for the employees of GeoLogistics Corporation and its subsidiaries. As at 31 December the status of the plan was as follows:

	2006 *KD '000s*	*2005* *KD '000s*
Defined benefit obligation	**(55,132)**	(48,384)
Fair value of plan assets	**40,310**	33,739
Funded status of the plan	**(14,822)**	(14,645)
Unrecognised net actuarial loss	**5,968**	2,989
Accrued benefit cost, net	**(8,854)**	(11,656)

The principal actuarial assumptions used for the plan referred to above, which forms the most significant component of the liability for end of service benefits, are as follows:

	2006	*2005*
Discount rate at 31 December	**5.24%**	4.79 %
Expected rate of increase of employee remuneration	**3.52%**	3.19 %
Average length of employee service	5 years	5 years
Expected return on plan assets	**6.77%**	7.16%

21 OTHER NON CURRENT LIABILITIES

	2006 *KD '000s*	*2005* *KD '000s*
Non current portion of lease obligations	**7,295**	3,497
Amounts due to related parties (Note 32)	**8,495**	4,507
Amounts due for acquisition of subsidiary	**4,256**	3,641
Other liabilities	**10,606**	8,955
	30,652	20,600

22 SHARE CAPITAL

Authorised, issued and paid-up capital consists of 793,058,113 (2005: 689,615,750) shares at a par value of 100 fils each.

Following the approval of the general assembly of the Parent Company's shareholders held on 17 May 2006, the Parent Company issued 103,442,363 bonus shares amounting to KD 10,344 thousand.

23 STATUTORY RESERVE

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Board of Directors' remuneration has been transferred to the statutory reserve. The statutory reserve is not available for distribution except in certain circumstances stipulated by Law.

Distribution of the reserve up to the amount equivalent to 50% of paid up share capital is limited to the amount required to enable the payment of a dividend of up to 5% of paid up share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

24 TREASURY SHARES

	2006	*2005*
Number of treasury shares	**2,280,499**	8,823,463
Percentage of issued shares	**0.29%**	1.3%
Market value in KD '000s	**3,832**	25,412

25 LOGISTICS SERVICES REVENUE

Revenue from logistics services primarily represents revenue earned from providing goods and services to governmental institutions for their operations in the region. Whilst the sales value of goods provided during the year forms the basis for calculating the billable amount of logistics services revenue relating to inventory management and order fulfilment services, no profit margin is realised on these goods in accordance with the terms of the contract to which the provision of these goods relates.

26 INVESTMENT INCOME

	2006 *KD '000s*	*2005* *KD '000s*
Gain on sale of investment in an associate	**1,216**	-
Unrealised (loss) gain on revaluation of investments carried at fair value through statement of income	**(29)**	928
Group's share in the results of associated companies and joint ventures	**148**	115
	1,335	1,043

27 BASIC AND DILUTED EARNINGS PER SHARE

Information to compute earnings per share is as follows:

	2006 *KD '000s*	*2005* *KD '000s*
Earnings:		
Profit attributable to equity holders of the Parent	**166,517**	141,850
Shares outstanding:		
At beginning of the year	**793,058,110**	748,586,766
Weighted average number of treasury shares	**(8,391,151)**	(8,242,798)
Weighted average number of shares outstanding	**784,666,959**	740,343,968
Basic and diluted earnings per share	**212.21 Fils**	191.60 Fils

Earnings per share for 2005 have been restated as a result of the bonus issue in 2006 (Note 22).

28 PROPOSED DIVIDENDS

On 17 May 2006, the General Assembly of the Parent Company's shareholders approved the consolidated financial statements for the year ended 31 December 2005 and declared bonus shares at 15% or 15 shares per 100 shares (2004: 45% or 45 shares per 100 shares).

On 29 March 2007, the Board of Directors proposed a cash dividend of 90 fils per share and bonus shares at 20% or 20 shares per 100 shares, subject to approval by the shareholders' general assembly.

29 DERIVATIVE FINANCIAL INSTRUMENTS

The Parent Company has six interest rate swaps outstanding at 31 December 2006 (2005: six). These swaps have been entered into to hedge the interest rate exposure on certain term loans acquired during 2005. The swaps have an aggregate notional amount of US$ 182,500 thousand (equivalent to KD 52,768 thousand) (2005: US$ 190,000 thousand (equivalent to KD 55,480 thousand)), and terms to maturity for periods up to 2010, consistent with the loans to which these interest rate swaps relate (Note 17). The swaps have been designated as held for trading and their positive fair value at the balance sheet date is KD 86 thousand (2005: KD 32 thousand-negative).

30 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	2006 *KD '000s*	*2005* *KD '000s*
Letters of guarantee	**25,725**	34,255
Operating lease commitments	**37,755**	-
Capital commitments	**28,879**	13,092
	92,359	47,347

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

30 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Included in letters of guarantee are bank guarantees for KD 31,372 thousand, provided by a bank on behalf of the subsidiary, Global Clearing House Systems KSC (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 December 2006 is negative KD 12,576 thousand. The Parent Company is only liable for losses equal to the contributed share capital of the company amounting to KD 1,000 thousand. Subsequent to the year end, the Department of Customs called a guarantee of KD 10,092. As further explained below, the company has not made any provision for this in the books as at 31 December 2006.

Legal claims

Prime Vendor Services Contract
A dispute has arisen between the Public Warehousing Company K.S.C. 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 Public Warehousing Company K.S.C. has submitted all evidences to the Execution Department in proof of the partnership not having any funds, assets or properties and the eventual non-existence of the partnership, as a consequence of the partners not providing any capital contributions to the partnership.

The third party has filed claims against the Public Warehousing Company K.S.C. 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 Public Warehousing Company K.S.C. filed a case requesting nullity of the partnership agreement and delegation of an expert to assess the compensation to which the Public Warehousing Company K.S.C. 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 Public Warehousing 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 Public Warehousing 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 Arbitration Committee is not the relevant competent jurisdiction.

The third party has also filed a case against the Public Warehousing Company K.S.C. 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 Public Warehousing Company K.S.C.). 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 Public Warehousing Company K.S.C. in which the case was lost. This loss is confirmed by the aforesaid verdict of the Court of Appeal No. 673/2006. The Public Warehousing Company K.S.C. 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.

30 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

The Public Warehousing Company K.S.C.'s external legal consulting firms advised that the partnership agreement had expired on 1 January 2003, i.e. before the Public Warehousing Company K.S.C. 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 Public Warehousing Company K.S.C. 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 Public Warehousing Company K.S.C. 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 Public Warehousing Company K.S.C. 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 consolidated financial statements.

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 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. 23/2007 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.

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 consolidated financial statements.

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".

30 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

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 consolidated financial statements.

In addition to the above, the company 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 financial statements.

31 SHARE LINKED COMPENSATION AND INCENTIVE PLANS

Employees are eligible to participate in the share linked compensation and incentive plan. The exercise price of the units in the plan is equal to the market price of the shares on the date of grant. The units vest if the employee remains in service for periods up to a maximum seven years. At exercise, employees will receive the equivalent theoretical value of the units in cash at the Parent Company's discretion. For each grant, the underlying number of units and the associated exercise price are subsequently adjusted to immunize the value of such units from changes in the capital structure that result from share dividends, cash dividends, or other changes. The fair value of these units cannot be established reliably, accordingly, the intrinsic valuation method has been used. The expense recognised relating to the share linked compensation & incentive plan for employee services received during the year ended 31 December 2006 is KD 5,250 thousand (2005: KD 3,000 thousand). The liability in relation to units outstanding at the end of the year is KD 4,878 thousand (2005: KD 4,818 thousand), of which KD 3,884 thousand (2005: KD 2,353 thousand) relates to units that had vested.

The Group has launched a long term incentive plan for certain senior management employees under which the eligible employees are granted units, the value of which is determined by the performance of the group, and in particular the aggregate growth in profits over a three year period ending on 31 December 2008. 50% of the units' value will vest if the employee remains in service for the full three year period and the amount will be settled in cash during 2009. The other 50% will be deferred for one more year and converted to one phantom share of the Parent Company's stock, providing the holder the right to the value in cash of one share of the Parent Company, subject to being in employment at the end of 2009. On vesting the employee will receive a cash payout equivalent to the phantom shares value, based on the average daily share price of the Parent Company's stock for the month of December 2009. The expense recognized relating to the long term incentive plan for employee services received during the year ended 31 December 2006 is KD 1,800 thousand. The liability in relation to units outstanding at the end of the year is KD 1,800 thousand.

32 RELATED PARTY TRANSACTIONS

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

	2006		*2005*	
	Purchases KD '000s	***Fees for management services KD '000s***	*Purchases KD '000s*	*Fees for management services KD '000s*
Entities under common control	**55,330**	**301**	76,738	441

Balances payable to related parties are disclosed in Notes 16 and 21. These balances are non interest bearing and payable on demand.

32 RELATED PARTY TRANSACTIONS (continued)

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

	2006 *KD '000s*	*2005* *KD '000s*
Short-term benefits	**4,127**	3,796
Employees' end of service benefits	**96**	87
Share-based payments	**2,250**	1,094
	6,473	4,977

Short term benefits include discretionary bonuses amounting to KD 3,322 (2005: KD 2,670) awarded to key management personnel for the current year.

The terms of the equity linked compensation and incentive plans are disclosed in note 31. During the year KD 2,523 (2005: KD 5,000 thousand) has been paid under this scheme.

Related party transactions are subject to the approval of the shareholder's general assembly.

33 SEGMENT REPORTING

During the later part of the current financial year, the Group has undergone significant restructuring as part of the ongoing integration of businesses acquired.

Up to the point of restructuring, the group has identified that the primary determinant for its decision making is based on the geographic location of its customers. Accordingly, for the current year, geographic segments are determined to be the primary segment for the purpose of the segmental disclosure. With effect from 2007, the primary segments will be along business lines.

33 SEGMENT REPORTING

31 December 2006	*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	625,007	356,716	109,654	2,229	1,093,606	(76,381)	**1,017,225**
Expenses	435,965	355,570	119,087	4,379	915,001	(76,381)	**838,620**
Segment results	189,042	1,146	(9,433)	(2,150)	178,605	-	**178,605**
Interest income							**15,840**
Interest expense							**(18,258)**
Investment and other income							**3,795**
Tax							**(8,903)**
Unallocated corporate charges							**(1,890)**
Profit for the year							**169,189**
Segment assets	1,077,512	120,385	147,275	1,554	1,346,726	(33,597)	**1,313,129**
Investments							**7,248**
Total assets							**1,320,377**
Segment liabilities	221,913	109,518	27,951	4,132	363,514	-	**363,514**
Term loans and bonds							**247,551**
Other unallocated liabilities							**-**
Total liabilities							**611,065**
Capital expenditure:							
Fixed assets	27,644	1,121	660	1,758	31,183		**31,183**
Projects in progress	16,722	90	-	372	17,184		**17,184**
Investment properties	7,506	-	-	717	8,223		**8,223**
Intangible assets	5,993	11,617	4,276	-	21,886		**21,886**
Depreciation	31,063	691	1,244	244	33,242		**33,242**
Amortisation	631	613	256	-	1,500		**1,500**

33 SEGMENT REPORTING (continued)

31 December 2005	*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	359,390	99,563	61,394	1,323	521,670	(46,283)	475,387
Expenses	210,130	99,380	61,855	1,982	373,347	(46,283)	327,064
Segment results	149,260	183	(461)	(659)	148,323	-	148,323
Interest income							3,252
Interest expense							(7,546)
Investment and other income							4,646
Tax							(4,415)
Unallocated corporate charges							(1,533)
Profit for the year							142,727
Segment assets	820,607	104,276	208,443	-	1,133,326	(99,966)	1,033,360
Investments							7,111
Total assets							1,040,471
Segment liabilities	108,573	63,059	48,835	955	221,422	3,529	224,951
Term loans and bonds							251,054
Other unallocated liabilities							9,493
Total liabilities							485,498
Capital expenditure:							
Fixed assets	72,325	403	-	-	72,728	-	72,728
Projects in progress	34,427	-	-	-	34,427	-	34,427
Investment properties	3,247	-	-	-	3,247	-	3,247
Depreciation	15,980	164	981	662	17,787	-	17,787

34 RISK MANAGEMENT

The main risks to which the Group's assets and liabilities are exposed and the principal methods of risk management are as follows:

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets and liabilities, mainly bank deposits, term loans, and bonds. The maturity dates and applicable interest rates are disclosed in the respective notes.

Credit risk
The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

15 % (2005: 45%) of accounts receivable represents amounts outstanding from a governmental institution of high repute, accordingly, this is not considered to represent significant credit risk. There are no other significant concentrations of credit risk. Credit risk is limited to amounts appearing on the balance sheet.

Liquidity risk
The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 45 days of the date of purchase.

Currency risk
The Group's foreign currency assets and liabilities are primarily denominated in United States Dollars. As the Kuwait Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

Other risks
Other risks are substantially represented in business risks that are associated with the Group's various business activities in Iraq. The unpredictable climate and political instability in Iraq expose the Group to the risk of possible loss of assets and continuity of substantial logistics' business. In this regard, the Group takes appropriate security and insurance measures and ensures that its investment in supplies and other resources is commensurate with its short term business requirements.

35 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial instruments are not materially different from their carrying values at the balance sheet date.

36 COMPARATVE AMOUNTS

The Parent Company acquired a number of subsidiaries on various dates during 2005 giving rise to a significant increase in freight and project forwarding revenue, freight and project forwarding expenses, salaries and employee benefits, other general and administrative expenses and interest expense.

Accordingly, the comparative amounts for these items of income and expenses shown in the statement of income, statement of cash flows and the related notes are not comparable.