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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2005

ERNST & YOUNG
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AUDITORS' REPORT TO THE SHAREHOLDERS OF THE PUBLIC WAREHOUSING COMPANY - K.S.C.

We have audited the accompanying consolidated balance sheet of The Public Warehousing Company - K.S.C. (the Parent Company) and its subsidiaries (the Group) as of 31 December 2005 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Parent Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2005, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the 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 2005 that might have had a material effect on the business of the Group or on its financial position.

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 legal counsel and the grounds set out in the note, no provision has been made in the consolidated financial statements.

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20 March 2006

Kuwait

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Note	2005 KD '000s	(Restated) 2004 KD '000s
ASSETS			
Current assets			
Cash and cash equivalents	3	**200,684**	17,901
Accounts receivable – net	4	**214,269**	67,088
Inventories	5	**64,312**	66,910
Investments carried at fair value through statement of income		**2,592**	1,579
Other current assets	6	**27,929**	9,954
Total current assets		**509,786**	163,432
Non current assets			
Investments in joint ventures	7	**839**	986
Investments available for sale	8	**2,409**	1,789
Investments in associates	9	**1,271**	752
Investment properties	10	**160,590**	113,410
Fixed assets	11	**174,293**	58,407
Projects in progress	12	**22,762**	38,690
Goodwill	13	**162,992**	3,399
Other non current assets		**5,529**	-
Total non current assets		**530,685**	217,433
TOTAL ASSETS		**1,040,471**	380,865
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other credit balances	14	**188,685**	98,956
Short term loans and current portion of term loans	15	**25,993**	35,005
Taxes payable	16	**9,493**	3,271
Dividends payable to shareholders		**1,474**	1,874
Total current liabilities		**225,645**	139,106
Non current liabilities			
Term loans	15	**195,532**	11,659
Bonds	17	**29,529**	22,117
Provision for end of service benefits	18	**14,192**	1,302
Other non current liabilities	19	**20,600**	-
Total non current liabilities		**259,853**	35,078
Equity attributable to equity holders of the parent			
Share capital	20	**68,962**	42,663
Share premium	20	**152,650**	-
Statutory reserve	21	**36,777**	22,107
Treasury shares	22	**(17,467)**	(1,960)
Treasury shares reserve		**42,825**	-
Foreign currency translation reserve		**(232)**	(582)
Investment revaluation reserve		**(305)**	-
Retained earnings		**263,317**	141,075
		546,527	203,303
Minority interest		**8,446**	3,378
Total equity		**554,973**	206,681
TOTAL LIABILITIES AND EQUITY		**1,040,471**	380,865

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 2005

	Note	*2005* *KD '000s*	*2004* *KD '000s*
Revenue:			
Rental revenue		**22,843**	16,907
Customs consulting fees		**13,566**	1,525
Logistics services	23	**207,204**	121,300
Freight and project forwarding	24	**202,129**	-
Other services		**7,495**	3,836
Total operating revenue		**453,237**	143,568
Operating expenses:			
Freight and project forwarding expenses	24	**158,489**	-
Salaries and employee benefits		**81,288**	24,015
Professional and legal fees		**23,808**	8,311
Depreciation		**17,787**	7,612
Travel and marketing		**6,508**	1,626
Rent		**5,852**	1,952
Provision for doubtful accounts receivable		**411**	3,157
Provision for impairment of goodwill		**-**	5,278
Other general and administrative expenses		**32,921**	10,524
Total operating expenses		**327,064**	62,475
Profit from operations		**126,173**	81,093
Other income (expense):			
Change in fair value of investment properties	10	**22,150**	22,205
Interest income		**3,252**	216
Interest expense		**(7,546)**	(2,219)
Investment income	25	**1,043**	561
United Nations compensation claim	26	**1,749**	229
Other income		**1,854**	947
Total other income – net		**22,502**	21,939
Profit for the year before tax		**148,675**	103,032
Income tax		**(1,101)**	(96)
National Labour Support tax		**(3,314)**	(2,254)
Profit for the year after tax		**144,260**	100,682
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(1,358)**	(915)
Directors' remuneration		**(175)**	(140)
PROFIT FOR THE YEAR		**142,727**	99,627
Attributable to:			
Equity holders of the parent company		**141,850**	98,502
Minority interest		**877**	1,125
		142,727	99,627
EARNINGS PER SHARE	27	**220.34 Fils**	**157.79 Fils**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2005

	Note	*2005* *KD '000s*	*2004* *KD '000s*
OPERATING ACTIVITIES			
Profit for the year before tax		**148,675**	103,032
Adjustments for:			
Provision for end of service benefits		**1,558**	643
Depreciation		**17,787**	7,612
Provision for doubtful accounts receivable		**411**	3,157
Provision for impairment of goodwill		**-**	5,278
Change in fair value of investment properties		**(22,150)**	(22,205)
Interest income		**(3,252)**	(216)
Interest expense		**7,546**	2,219
Investment income		**(1,043)**	(561)
Operating profit before working capital changes		**149,532**	98,959
Increase in accounts receivable		**(49,235)**	(44,439)
Decrease (increase) in inventories		**2,598**	(43,041)
Increase in other current assets		**(2,339)**	(2,678)
(Decrease) increase in accounts payable and other credit balances		**(3,407)**	70,323
Cash from operations		**97,149**	79,124
Interest received		**3,252**	216
Interest paid		**(7,546)**	(2,219)
National Labour Support tax and income tax paid		**(844)**	(15)
Paid to KFAS		**(342)**	(216)
Remuneration paid to Directors		**(140)**	(49)
Employee end of service benefits paid		**(324)**	(100)
Net cash from operating activities		**91,205**	76,741
INVESTING ACTIVITIES			
Purchase of investment in joint venture		**(423)**	(33)
Net movement of investments available for sale		**885**	(15)
Purchase of investment properties		**(3,247)**	-
Purchase of fixed assets		**(72,728)**	(32,218)
Payments for projects in progress		**(34,427)**	(64,569)
Acquisition of subsidiaries, net of cash acquired		**(140,993)**	(134)
Net cash used in investing activities		**(250,933)**	(96,969)
FINANCING ACTIVITIES			
Dividends paid to shareholders		**(399)**	(8,561)
Proceeds from issue of share capital		**159,750**	-
Net movement in term loans		**148,431**	29,377
Proceeds from sale of treasury shares		**44,425**	-
Purchase of treasury shares		**(17,107)**	-
Proceeds from issue of bonds		**7,411**	14,917
Net cash from financing activities		**342,511**	35,733
INCREASE IN CASH AND CASH EQUIVALENTS		**182,783**	15,505
Cash and cash equivalents at beginning of the year		**17,901**	2,396
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3	**200,684**	17,901

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2005

	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) (Note 2)	-	-	-	-	-	-	-	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 and 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 and 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 subsidiary	-	-	-	-	-	-	-	-	-	4,191	4,191
Transfers 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**
Balance at 1 January 2004	35,552	-	11,926	(1,960)	-	(402)	-	68,534	113,650	2,253	115,903
Foreign currency translation adjustments	-	-	-	-	-	(180)	-	-	(180)	-	(180)
Total income and expense for the year recognised directly in equity	-	-	-	-	-	(180)	-	-	(180)	-	(180)
Profit for the year	-	-	-	-	-	-	-	98,502	98,502	1,125	99,627
Total income and expense for the year	-	-	-	-	-	(180)	-	98,502	98,322	1,125	99,447
Issue of bonus shares	7,111	-	-	-	-	-	-	(7,111)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(8,669)	(8,669)	-	(8,669)
Transfers to statutory reserve	-	-	10,181	-	-	-	-	(10,181)	-	-	-
Balance at 31 December 2004	42,663	-	22,107	(1,960)	-	(582)	-	141,075	203,303	3,378	206,681

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 Group 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.

e-mail: investor@pwc.com.kw
Internet: www.pwclogistics.com

The consolidated financial statements were authorised for issue by the Board of Directors on 15 March 2006. 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 Public Warehousing Company - K.S.C and its subsidiaries 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.

Changes in accounting policies
The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted those new/revised standards mandatory for financial years beginning on or after 1 January 2005.

The changes in accounting policies result from adoption of the following new or revised standards:

- IAS 1 (revised) Presentation of Financial Statements
- IAS 21 (revised) The Effects of Changes in Foreign Exchange Rates
- IAS 39 (revised) Financial Instruments Recognition and Measurement

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

- IAS 40 (revised) Investment Properties
- IFRS 3 Business Combinations, IAS 36 (revised) Impairment of Assets
- IFRS 2 Share-based payment

The principal effects of these changes in policies are discussed below.

IAS 1 (revised) Presentation of Financial Statements
The presentation of minority interests has been amended in the current year. In accordance with the provisions of the revised standard, comparative figures have been amended to be consistent with the presentation in the current year.

IAS 21 (revised) The Effects of Changes in Foreign Exchange Rates
As of 1 January 2005, the Group adopted IAS 21(revised). As a result, 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 now treated as assets and liabilities of the foreign operation and translated at the closing rate. In accordance with the transitional provisions of IAS 21 this change is applied prospectively. As this policy is applied prospectively, goodwill acquired in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition continue to be deemed to be assets and liabilities of the parent company. This change in accounting policy has no significant impact as at 31 December 2005.

IAS 39 (revised) Financial Instruments: Recognition and measurement
Previously investment securities were classified as available for sale, with fair value gains taken to statement of income. On adoption of IAS 39 (revised), certain investment securities have been redesignated as "investments carried at fair value through statement of income" and gains or losses on investments that continue to be designated as available for sale are now taken to equity. The Group now classifies investments upon initial recognition into the following two categories:

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

In accordance with the transitional provisions of the revised standard this redesignation was effected as at 1 January 2004. The carrying value of available for sale investments redesignated at 1 January 2004 was KD 1,858 thousand.

There have been no fair value movements in investments available for sale that continue to be classified as such, from the date of acquisition to 31 December 2004, other than provision for impairment in value, accordingly, there is no adjustment to retained earnings on adoption of the revised standard.

In the case of investments available for sale, reversals of previously recognised impairment losses are no longer recorded through the statement of income but as increases in investment revaluation reserve.

IFRS 3 Business Combinations, IAS 36 (revised) Impairment of Assets
IFRS 3 has been applied for business combinations for which the agreement date is on or after 31 March 2004. The effect of the adoption of IFRS 3 upon the Group's accounting policies has impacted the recognition of restructuring provisions arising upon an acquisition. The Group is now only permitted to recognise an existing liability contained in the acquiree's financial statements on acquisition. Previously, this type of restructuring provision could be recognised by the acquirer regardless of whether the acquiree had recognised this type of liability. Further, upon acquisition the Group initially measures the identifiable assets, liabilities and contingent liabilities acquired at their fair values as at the acquisition date; hence causing any minority interest in the acquiree to be stated at the minority proportion of the net fair values of those items.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 3 Business Combinations, IAS 36 (revised) Impairment of Assets (continued)
Additionally, the adoption of IFRS 3 and IAS 36 (revised) has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2005. The transitional provisions of IFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amount of the accumulated amortisation by KD 2,535 thousand with a corresponding entry to goodwill.

IAS 40 (revised) Investment Properties
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 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. Any premium paid for a lease is treated as part of the minimum lease payments for this purpose, and is therefore included in the cost of the asset, but is excluded from the liability. For property interests held under a lease and classified as investment property, the item accounted for at fair value is that interest and not the underlying property. After initial recognition, investment properties are remeasured to fair value on an individual basis, with any gain or loss arising from change in fair value being included in the statement of income in the period in which it arises.

In accordance with the transitional provisions of the standard, property interests held under operating leases existing at 1 January 2005 were capitalised as investment properties, and the cost, equivalent to the present value of minimum lease payments, amounted to KD 1,730 thousand. The excess of the fair value over the cost of these property interests amounted to KD 14,261 thousand, and has been recognised as an adjustment to the opening balance of retained earnings. The fair value of these properties is based on valuations performed by an independent valuer. The Group had not previously disclosed the fair value of property interests held under operating leases and accordingly comparative information for prior periods has not been restated.

IFRS 2 "Share-Based Payment"
IFRS 2 "Share-Based Payment" requires an expense to be recognised where the group buys goods or services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The main impact of IFRS 2 on the group is disclosed in Note 31.

The effect of the revised policy has decreased current year profits by KD 587 thousand due to an increase in the employee benefits expense with a corresponding increase in liabilities. The effect of the revised policy due to the adoption of IFRS 2 has no material impact on earnings per share. There is no impact on the prior year as a provision had already been made for amounts due to employees under the scheme.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill 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 amount of goodwill at 31 December 2005 was KD 162,992 thousand (2004: KD 3,399 thousand). More details are given in Note 13.

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 – formula based discounted cash flow analysis and comparative analysis.

For the formula based discounted cash flow, 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.

Comparative analysis was carried out 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 223,371 thousand (2004: KD 74,827 thousand), and the provision for doubtful debts was KD 9,102 thousand (2004: KD 7,739 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 41,759 thousand (2004: KD 36,298 thousand), with provisions for old and expired inventories of KD 750 thousand (2004: KD 1,754 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 sale.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill
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 (group of cash-generating units) 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.

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 net profit or loss 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 compensation

Certain senior employees of the group receive remuneration in the form of share based payments 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Group as a lessee (continued)
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 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.

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 on ongoing leases.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
Foreign currency transactions are recorded in Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated to Kuwaiti Dinars at rates of exchange prevailing on that date. Exchange differences are reported in the Consolidated Statement of Income.

The assets and liabilities of foreign entities are translated to Kuwaiti Dinars at rates of exchange ruling at the balance sheet date. The results of the foreign entities are translated to Kuwaiti Dinars at rates approximating the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in equity.

Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign entity are recorded using the exchange rate at the effective date of the transaction.

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 CASH EQUIVALENTS

Cash and cash equivalents include the following amounts:

	2005	*2004*
	KD '000s	*KD '000s*
Bank balances and cash	**40,689**	16,397
Time deposits	**159,995**	1,504
	200,684	17,901

Time deposits mature within three months from the date of deposit and carry interest at fixed commercial rates. Included in bank balances and cash are balances denominated in foreign currencies amounting to KD 18,236 thousand (2004: KD 2,022 thousand), mainly in U.S Dollars.

4 ACCOUNTS RECEIVABLE - NET

	2005	*2004*
	KD '000s	*KD '000s*
Trade accounts receivable	**223,371**	74,827
Provision for doubtful accounts	**(9,102)**	(7,739)
	214,269	67,088

5 INVENTORIES

	2005 *KD '000s*	2004 *KD '000s*
Goods for resale	**41,759**	36,298
Goods in transit	**23,303**	32,366
	65,062	68,664
Provision for obsolete and slow moving inventories	**(750)**	(1,754)
	64,312	66,910

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

	2005 *KD '000s*	*2004* *KD '000s*
Advances to suppliers	**7,447**	5,601
Prepaid expenses and refundable deposits	**9,837**	845
Staff receivables	**754**	680
Accrued income	**3,432**	1,253
Other assets	**6,459**	1,575
	27,929	9,954

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% (2004: 50%).

8 INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprises 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 believes 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 seven investments in associates at 31 December 2005 (2004: one). These are unquoted companies engaged in similar activities 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:

	2005 ***KD '000s***	*2004* *KD '000s*
Assets	**4,077**	1,354
Liabilities	**2,806**	602
Net assets	**1,271**	752
Revenues	**4,112**	3,219
Profit for the year	**129**	389

10 INVESTMENT PROPERTIES

	2005 ***KD '000s***	*2004* *KD '000s*
Balance at 1 January	**113,410**	75,366
Effect of adoption of IAS 40 (revised) (Note 2)	**15,991**	-
Transfer from projects in progress	**4,021**	15,839
Additions	**5,018**	-
Change in fair value during the year	**22,150**	22,205
Balance at 31 December	**160,590**	113,410

The effect of adoption of IAS 40 comprises of the present value of future minimum lease payments for operating leases capitalised, and the excess of fair value of investment properties under operating leases over the present value of future minimum lease payments amounting to KD 1,730 thousand and KD 14,261 thousand respectively.

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

The balance of investment properties at 31 December 2005 comprises property held under operating leases amounting to KD 34,297 thousand and properties held on leased land amounting to KD 126,293 thousand. Lease periods range from five to twenty years and are renewable for similar periods.

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 2005	23,040	12,763	29,099	11,643	76,545
Additions	12,494	7,855	46,688	5,691	72,728
Transfer from projects in progress	4,848	1,000	39,512	974	46,334
Disposals	-	(12)	(66)	(6)	(84)
Arising on acquisition of subsidiaries	8,128	2,042	639	4,130	14,939
Foreign currency translation differences	-	(125)	(169)	-	(294)
31 December 2005	**48,510**	**23,523**	**115,703**	**22,432**	**210,168**
Accumulated depreciation and impairment:					
1 January 2005	2,671	3,759	4,007	7,701	18,138
Charge for the year	815	1,503	9,746	5,723	17,787
Relating to disposals	-	(11)	(39)	-	(50)
31 December 2005	**3,486**	**5,251**	**13,714**	**13,424**	**35,875**
Net book value:					
31 December 2005	**45,024**	**18,272**	**101,989**	**9,008**	**174,293**
31 December 2004	20,369	9,004	25,092	3,942	58,407

Parent company's buildings with a carrying value of KD 8,678 thousand (2004: KD 9,468 thousand) are erected on land leased from local Governments for periods of five to twenty years, renewable for similar periods.

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 lease and transportation revenues.

	***2005* KD '000s**	*2004 KD '000s*
Balance at 1 January	**38,690**	4,058
Additions	**34,427**	64,569
Transfer to fixed assets	**(46,334)**	(14,098)
Transfer to investment properties	**(4,021)**	(15,839)
Balance at 31 December	**22,762**	38,690

13 GOODWILL

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

	2005 *KD '000s*	*2004* *KD '000s*
Cost:		
At 1 January	**11,212**	11,212
Effect of adoption of IFRS 3 (Note 2)	**(2,535)**	
Additions during the year	**159,593**	-
At 31 December	**168,270**	11,212
Impairment:		
At 1 January	**5,278**	-
Impairment during the year	-	5,278
At 31 December	**5,278**	5,278
Amortisation:		
At 1 January	**2,535**	2,023
Charge for the year	-	512
Effect of adoption of IFRS 3 (Note 2)	**(2,535)**	-
At 31 December	-	2,535
Net carrying value	**162,992**	3,399

On 21 February 2005, the Parent Company acquired 100% of the share capital of Trans-Link Express PTE for a cash consideration of KD 9,701 thousand. Goodwill arising on the purchase amounted to KD 6,982 thousand, based on the tentative estimates of the fair value of the net assets acquired. From the date of acquisition, Trans-Link Express PTE has contributed KD 623 thousand to the profit of the Group.

On 12 April 2005, the Parent Company acquired 100% of the share capital of Transoceanic Shipping Inc. for a cash consideration of KD 10,835 thousand. Goodwill arising on the purchase amounted to KD 6,223 thousand, based on the tentative estimates of the fair value of the net assets acquired. From the date of acquisition, Transoceanic Shipping Inc has incurred a loss of KD 25 thousand.

On 25 June 2005, the parent company acquired a 50% interest in DNATA Dubai, a joint venture with DNATA. Goodwill arising on the purchase amounted to KD 650 thousand. From the date of acquisition, DNATA Dubai has contributed KD 8 thousand to the profit of the Group.

On 15 August 2005, the Parent Company acquired 100% of the share capital of S.P.F. Dubai L.L.C. for a cash consideration of KD 6,463 thousand and through the granting of two options to the shareholders of the company. The options are linked to shares in the Parent Company. The options' terms are 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007 respectively. The aggregate fair value of the options at the balance sheet date is KD 3,641 thousand. Goodwill arising on the purchase amounted to KD 8,042 thousand, based on the tentative estimates of the fair value of net assets acquired. From the date of acquisition, S.P.F. Dubai L.L.C. has contributed KD 151 thousand to the profit of the Group.

On 31 August 2005, PWC Logistics International B.V. and PWC Logistics Ltd, wholly owned subsidiaries of the Parent Company, acquired 100% of the share capital of GeoLogistics Corporation for a cash consideration of US$ 417,507 thousand (equivalent to KD 121,912 thousand) including transaction costs of US$ 15,000 thousand (equivalent to KD 4,380 thousand). An additional amount of US$ 16,393 thousand (KD 4,787 thousand) has been paid as part of the purchase agreement, and is held under an escrow arrangement pending finalisation of assessment of fair values of the subsidiary's net assets acquired. Management expects that the amount will be repaid to the Parent Company. Accordingly this amount has been recorded under other current assets (Note 6), and has not been considered as part of the purchase price of the subsidiary acquired. The tentative estimates of the fair value of the identifiable assets and liabilities as on the date of acquisition are as follows:

13 GOODWILL (continued)

	KD '000s
Cash and cash equivalents	9,988
Accounts receivable	87,216
Other current assets	8,729
Investments available for sale	1,005
Fixed assets	11,912
Other non current assets	9,564
Total assets	128,414
Accounts payable and other credit balances	84,078
Short term loans and current portion of term loans	13,327
Taxes payable	3,497
Term loans	11,194
Provision for end of service benefits	11,368
Other non current liabilities	17,839
Minority interest	1,920
Total liabilities	143,223
Fair value of net assets acquired	(14,809)
Goodwill arising on acquisition	136,720
Purchase consideration	121,911
Less: cash and cash equivalents	(9,988)
Cash flow on acquisition net of cash acquired	111,923

From the date of acquisition, GeoLogistics Corporation has contributed KD 876 thousand to the profit of the Group.

On 5 December 2005, the Group acquired 100% of the share capital of Exposervice-Corrigans Pty Ltd and its subsidiary company for a cash consideration of KD 647 thousand. Goodwill arising on the purchase amounted to KD 552 thousand, based on the tentative estimates of the fair value of net assets acquired. From the date of acquisition, Exposervices-Corrigans Pty Ltd and its subsidiary company have incurred a loss of KD 26 thousand.

On 31 December 2005, the Parent Company acquired an additional interest in PWC Saudi Arabia for a cash consideration of KD 436 thousand, taking the total holding to 57.13% of the share capital of the company. The investment was previously treated as an associate. Goodwill arising on the purchase amounted to KD 424 thousand, based on the tentative estimates of the fair value of net assets acquired.

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

14 ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2005 KD '000s	2004 KD '000s
Accounts payable	**121,460**	77,848
Amounts due to related parties (note 32)	**10,587**	9,716
Accrued expenses	**33,256**	5,072
Accrued leave and related expenses	**8,453**	907
Retentions	**2,300**	2,483
Kuwait Foundation for the Advancement of Sciences	**2,179**	1,158
Directors' remuneration	**175**	140
Others	**10,275**	1,632
	188,685	98,956

15 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 (note 13). 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 43,800 thousand) is repayable in August 2006, with the option to extend the repayment period by one year at the discretion of the borrower.
- Tranche A2, amounting to US$ 25,000 thousand (equivalent KD 7,300 thousand) is repayable in August 2006, with the option to extend the repayment period by one year at the discretion of the borrower.
- Tranche B1, amounting to US$ 239,818 thousand (equivalent KD 61,320 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 29,200 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. 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 7,949 thousand and KD 15,819 thousand respectively, which are held by subsidiaries of GeoLogistics Corporation. 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.

Other short term loans due within one year from the balance sheet date include loans denominated in Kuwaiti Dinars amounting to KD 73 thousand (2004: KD 1,485 thousand), loans denominated in US dollars amounting to KD 9,940 thousand (2004: KD 33,072 thousand), loans denominated in Euros amounting to KD 2,857 thousand (2004: KD Nil), loans denominated in GBP amounting to KD 6,652 thousand (2004: Nil) , loans denominated in other currencies amounting to KD 6,471 thousand (2004: 448 thousand), all carrying interest at commercial floating rates.

Other term loans due after one year from the balance sheet date include loans denominated in Kuwaiti Dinars amounting to KD 6,342 thousand (2004: KD 2,600 thousand), loans denominated in US dollars amounting to KD 25,689 thousand (2004: KD 8,472 thousand), and loans denominated in other currencies amounting to KD 2,901 (2004: KD 587 thousand) These loans have a final maturity date of 2013 and carry interest at commercial floating rates.

16 TAXES PAYABLE

This is represented by the balance of the tax due on certain Group companies as at 31 December 2005, the details of which are as follows:

	2005 *KD '000s*	*2004* *KD '000s*
Subsidiaries located overseas		
Income tax payable		
ICS Incorporation Limited, UK	**249**	169
GeoLogistics Corporation	**3,524**	-
Translink	**176**	-
Others	**14**	4
	3,963	173
Kuwait National Labour Support Tax		
Public Warehousing Company K.S.C.	**5,337**	3,059
Metal & Recycling Company K.S.C.	**193**	39
	9,493	3,271

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.

17 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.

18 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.

	2005	*2004*
	KD '000s	*KD '000s*
Movements in the provision recognised in the balance sheet are as follows:		
Provision as at 1 January	**1,302**	759
Arising on acquisition of subsidiary companies	**11,656**	-
Provided during the year	**1,558**	643
End of service benefits paid	**(324)**	(100)
Provision as at 31 December	**14,192**	1,302

Through the acquisition of GeoLogistics Corporation (note 13), 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:

	2005
	KD '000s
Defined benefit obligation	**48,384**
Fair value of plan assets	**33,739**
Funded status of the plan	**(14,645)**
Unrecognised net actuarial loss	**2,989**
Accrued benefit cost, net	**(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:

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

19 OTHER NON CURRENT LIABILITIES

	2005	*2004*
	KD '000s	*KD '000s*
Non current portion of lease obligations	**3,497**	-
Amounts due to related parties (Note 32)	**4,507**	-
Amounts due for acquisition of subsidiary (Note 13)	**3,641**	
Other liabilities	**8,955**	-
	20,600	-

20 SHARE CAPITAL

Authorised, issued and paid-up capital consists of 689,615,750 (2004: 426,631,548) shares at a par value of 100 fils each.

On 24 April 2005, the general assembly approved an increase in the Parent Company's share capital by 16.64% through the issue of stock rights. This was fully subscribed during the period with 71 million ordinary shares issued and paid, at a fixed subscription price of KD 2.250 per share.

21 STATUTORY RESERVE

As required by the Law of Commercial Companies and the Parent Company's Articles of Association, 10% of profit is transferred to the statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

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.

22 TREASURY SHARES

	2005	*2004*
Number of treasury shares	**8,823,463**	10,540,241
Percentage of issued shares	**1.3 %**	2.5 %
Market value in KD '000s	**25,412**	29,091

23 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.

24 FREIGHT FORWARDING AND PROJECT FORWARDING REVENUE

Revenue from freight forwarding and project forwarding, and the related costs are mainly generated and incurred through the newly acquired subsidiaries GeoLogistics Corporation and Transoceanic Shipping Inc respectively.

25 INVESTMENT INCOME

	2005 *KD '000s*	*2004* *KD '000s*
Unrealised gain on revaluation of investments carried at fair value through statement of income	**928**	204
Group's share in the results of associated companies and joint ventures	**115**	357
	1,043	561

26 UNITED NATIONS COMPENSATION CLAIM

The parent company filed a claim through the Public Authority for the Assessment of Compensation for an amount of KD 5,718 thousand in respect of losses suffered as a result of the Iraqi invasion and occupation of Kuwait in 1990. An amount of KD 2,132 thousand has been approved by the United Nations Compensation Commission – Geneva, out of which KD 1,749 thousand (2004: KD 229 thousand) has been received in the current year as full and final settlement of the claim.

27 EARNINGS PER SHARE

Information to compute earnings per share is as follows:

	2005	*2004*
	KD '000s	*KD '000s*
Earnings:		
Profit attributable to equity holders of the Parent	**141,850**	98,502
Shares outstanding:		
At beginning of the year	**650,945,014**	635,947,238
Weighted average number of treasury shares	**(7,167,650)**	(11,688,749)
Weighted average number of shares outstanding	**643,777,364**	624,258,489
Earnings per share	**220.34 Fils**	157.79 Fils

Earnings per share for 2004 have been restated as a result of the bonus issue and the effect of the issue of rights to participate in the increase in share capital (Note 20).

28 PROPOSED DIVIDENDS

On 24 April 2005, the General Assembly of the Parent Company's shareholders approved the consolidated financial statements for the year ended 31 December 2004 and declared bonus shares at 45% or 45 shares per 100 shares (2003: 20% or 20 shares per 100 shares).

On 15 March 2006, the Board of Directors proposed a cash dividend of 55 fils per share and bonus shares at 15% or 15 shares per 100 shares. This proposal is subject to approval by the shareholders' general assembly.

29 DERIVATIVE FINANCIAL INSTRUMENTS

The Parent Company has six interest rate swaps outstanding at 31 December 2005. These swaps have been entered into to hedge the interest rate exposure on certain term loans acquired within the year. The swaps have an aggregate notional amount of US$ 190,000 thousand (equivalent to KD 55,480 thousand), and terms to maturity in periods up to 2010, consistent with the loans to which these interest rate swaps relate (Note 15). The swaps have been designated as held for trading and their negative fair value at the balance sheet date is KD 32 thousand.

30 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	2005 *KD '000s*	*2004* *KD '000s*
Letters of guarantee	**34,255**	19,770
Uncalled portion of investment in subsidiary	**-**	221
Capital commitments	**13,092**	18,299
	47,347	38,290

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

Legal claims
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 has been submitted to the Court, based on which the court has concluded that neither party satisfied 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. 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.

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. 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.

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 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.

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 PLAN

All employees (approximately 18,000 worldwide) 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 2005 is KD 1,094 thousand. The liability in relation to units outstanding at the end of the year is KD 4,818 thousand, of which KD 2,353 thousand relates to units that had vested.

32 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major 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:

	2005		*2004*		
	Purchases KD '000s	***Fees for management services KD '000s***	*Purchases KD '000s*	*Rent Paid KD '000s*	*Fees for management services KD '000s*
Affiliated companies	**76,738**	**441**	64,088	379	172

Balances payable to related parties are disclosed in Note 14. These balances are non interest bearing and payable on demand.

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

	2005 KD '000s
Short-term benefits	**3,796**
Employees' end of service benefits	**87**
Share-based payments	**1,094**
	4,977

Short term benefits include discretionary bonuses amounting to KD 2,670 thousand 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 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

The Group has identified that the primary determinant for its decision making is based on the geographical location of its customers. Accordingly, the segment disclosures are based on geographical regions as follows:

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

33 SEGMENT REPORTING (continued)

31 December 2004	*Asia KD '000s*	*Europe KD '000s*	*America KD '000s*	*Africa KD '000s*	*Independent states common wealth KD '000s*	*Total before inter-group elimination KD '000s*	*Inter-group elimination KD '000s*	*Total KD '000s*
Income	164,335	47	1,017	1,391	-	166,790	(1,017)	165,773
Expenses	54,946	7,346	255	710	235	63,492	(1,017)	62,475
Segment results	109,389	(7,299)	762	681	(235)	103,298	-	103,298
Interest income								216
Interest expense								(2,219)
Investment and other income								1,737
Tax								(2,350)
Unallocated corporate charges								(1,055)
Profit for the year								99,627
Segment assets	364,806	11,576	6,623	2,339	1,006	386,350	(10,591)	375,759
Investments								5,106
Total assets								380,865
Segment liabilities	88,676	12,198	172	2,728	673	104,447	(2,315)	102,132
Term loans and bonds								68,781
Other unallocated liabilities								3,271
Total liabilities								174,184
Capital expenditure:								
Fixed assets	31,953	249	8	8	-	32,218	-	32,218
Projects in progress	64,569	-	-	-	-	64,569	-	64,569
Depreciation	6,386	773	17	58	378	7,612	-	7,612

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.

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 that has been realised during the current and prior year. 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 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform to the current period presentation. Such reclassifications substantially relate to the presentation of minority interests as a result of adopting IAS 1 (revised).