

**GULF WAREHOUSING COMPANY – Q.S.C.  
DOHA - QATAR**

**FINANCIAL STATEMENTS  
FOR THE PERIOD FROM  
MARCH 8, 2004 (DATE OF COMMENCEMENT)  
TO DECEMBER 31, 2005  
TOGETHER WITH AUDITORS' REPORT**

**GULF WAREHOUSING COMPANY – Q.S.C.**  
**DOHA - QATAR**  
**FOR THE PERIOD FROM**  
**MARCH 8, 2004 (DATE OF COMMENCEMENT)**  
**TO DECEMBER 31, 2005**

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**AUDITORS' REPORT**

**The Shareholders**

**Gulf Warehousing Company – Q.S.C.**

**Doha - Qatar**

We have audited the accompanying balance sheet of **Gulf Warehousing Company – Q.S.C.**, Doha - Qatar, as of December 31, 2005 and the related statements of income, changes in shareholders' equity and cash flows for the period from March 8, 2004 (Date of Commencement) to December 31, 2005. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Gulf Warehousing Company - Q.S.C.**, Doha – Qatar, as of December 31, 2005 and the results of its operations, changes in its shareholders' equity and its cash flows for the period from March 8, 2004 (Date of Commencement) to December 31, 2005 in accordance with **International Financial Reporting Standards**.

Furthermore, in our opinion the financial statements provide the information required by the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of account were maintained by the Company and the contents of the directors' report are in agreement with the Company's financial statements. We have obtained all the information and explanations we required for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Law or the Company's Articles of Association were committed during the period which would materially affect the Company's activities or its financial position.

For **Deloitte & Touche**

**Doha - Qatar**  
**January 18, 2006**

**Samer H. Jaghoub**  
**License No. 88**

**GULF WAREHOUSING COMPANY - Q.S.C.**

**DOHA - QATAR**

**BALANCE SHEET**

**AS OF DECEMBER 31, 2005**

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<b><u>ASSETS</u></b>	<b>Note</b>	<b>2005</b>
	-----	-----
		<b>QR.</b>
<b>Current Assets:</b>		
Cash on hand and at banks	<b>3</b>	58,093,388
Accounts receivable, prepayments and other debit balances	<b>4</b>	7,418,438
Investments held for trading	<b>5</b>	8,046,814
Modaraba investment	<b>6</b>	11,500,000
		-----
<b>Total Current Assets</b>		<b>85,058,640</b>
 <b>Available-For-Sale Investments</b>	 <b>5</b>	 <b>17,675,796</b>
 <b>Property and Equipment</b>	 <b>7</b>	 <b>42,999,052</b>
		-----
<b>Total Assets</b>		<b>145,733,488</b>
		=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**GULF WAREHOUSING COMPANY - Q.S.C.**

**DOHA - QATAR**

**BALANCE SHEET**

**AS OF DECEMBER 31, 2005**

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<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>	<b>Note</b>	<b>2005</b>
	-----	-----
<b>Current Liabilities:</b>		
Accounts payable		12,240,934
Accrued expenses and other credit balances		806,233
		-----
<b>Total Current Liabilities</b>		<b>13,047,167</b>
		-----
<b>Non – Current Liabilities:</b>		
Retention payable		3,222,380
Provision for employees' terminal benefits		45,121
		-----
<b>Total Non – Current Liabilities</b>		<b>3,267,501</b>
		-----
<b>Shareholders' Equity:</b>		
Share capital	<b>8</b>	120,000,000
Legal reserve	<b>9</b>	1,174,218
Fair value reserve	<b>5</b>	(1,873,358)
Proposed bonus shares issue	<b>10</b>	10,000,000
Retained earnings		117,960
		-----
<b>Total Shareholders' Equity</b>		<b>129,418,820</b>
		-----
<b>Total Liabilities and Shareholders' Equity</b>		<b>145,733,488</b>
		=====

These financial statements were approved by the Board of Directors on January 22, 2006 and signed on its behalf by:

\_\_\_\_\_  
**Mr. Faisal Mohammad Ghanem Al Sulaiti**  
Chairman

\_\_\_\_\_  
**Mr. Abdul Rahman Saleh Al Khulaifi**  
General Manager

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**GULF WAREHOUSING COMPANY - Q.S.C.**  
**DOHA - QATAR**

**STATEMENT OF INCOME**  
**FOR THE PERIOD FROM MARCH 8, 2004 (DATE OF COMMENCEMENT)**  
**TO DECEMBER 31, 2005**

	Note	2005
	-----	-----
		<b>QR.</b>
<b>Income:</b>		
Investment income	11	13,778,274
Profit from bank deposits		4,263,030
Income from Modaraba arrangement	6	1,605,988
Other income		478,830
		-----
<b>Total Income</b>		<b>20,126,122</b>
		-----
<b>Expenses:</b>		
Pre-operating expenses	12	(1,158,793)
Depreciation expense	7	(509,722)
General and administrative expenses	13	(5,952,425)
Loss on revaluation of trading securities	5	(763,004)
		-----
<b>Total Expenses</b>		<b>(8,383,944)</b>
		-----
<b>Net Income for the Period</b>		<b>11,742,178</b>
		=====
Basic and diluted earnings per share	14	0.98
		=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**GULF WAREHOUSING COMPANY - Q.S.C.**

**DOHA - QATAR**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE PERIOD FROM MARCH 8, 2004 (DATE OF COMMENCEMENT)**  
**TO DECEMBER 31, 2005**

	<b>Share Capital</b>	<b>Legal Reserve</b>	<b>Fair Value Reserve</b>	<b>Proposed Bonus Shares Issue</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>QR.</b>	<b>QR.</b>	<b>QR.</b>	<b>QR.</b>	<b>QR.</b>	<b>QR.</b>
Capital contribution	120,000,000	--	--	--	--	120,000,000
Net income for the period	--	--	--	--	11,742,178	11,742,178
Transfer to legal reserve	--	1,174,218	--	--	(1,174,218)	--
Net movement in fair value reserve	--	--	(1,873,358)	--	--	(1,873,358)
Proposed bonus shares issue	--	--	--	10,000,000	(10,000,000)	--
Proposed Directors' remuneration	--	--	--	--	(450,000)	(450,000)
	-----	-----	-----	-----	-----	-----
<b>Balance – December 31, 2005</b>	<b>120,000,000</b>	<b>1,174,218</b>	<b>(1,873,358)</b>	<b>10,000,000</b>	<b>117,960</b>	<b>129,418,820</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



**GULF WAREHOUSING COMPANY - Q.S.C.**  
**DOHA - QATAR**

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM MARCH 8, 2004 (DATE OF COMMENCEMENT)**  
**TO DECEMBER 31, 2005**

	<b>2005</b>
	<b>QR.</b>
<b><u>Cash Flows from Operating Activities:</u></b>	
Net income for the period	11,742,178
Adjustments for:	
Depreciation of plant and equipment	509,722
Loss on revaluation of held for trading investments	763,004
Provision for employees end of service benefits	45,121
	<b>13,060,025</b>
Accounts receivable, prepayments and other debit balances	(7,418,438)
Accounts payable	12,240,934
Accrued expenses and other credit balances	356,233
Retention payable	3,222,380
	<b>21,461,134</b>
<b><u>Cash Flows from Investing Activities:</u></b>	
Net movement in investments	(28,358,972)
Modaraba investment	(11,500,000)
Acquisition of property and equipment	(43,508,774)
	<b>(83,367,746)</b>
<b><u>Cash Flows from Financing Activities:</u></b>	
Capital contribution	120,000,000
	<b>120,000,000</b>
<b>Cash on Hand and at Banks - End of the Period</b>	<b>58,093,388</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**GULF WAREHOUSING COMPANY - Q.S.C.**  
**DOHA - QATAR**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM MARCH 8, 2004 (DATE OF COMMENCEMENT)**  
**TO DECEMBER 31, 2005**

**1.1. Status and Activities:**

Gulf Warehousing Company - Q.S.C., is a public shareholding company incorporated in the State of Qatar in March 2004 and governed by the provisions of the Qatari Commercial Companies' Law.

The Company specializes in providing warehousing.

The Company has recently commenced its operations and plans to go on full operations when the construction of its operating warehouse facilities is completed in the first half of year 2006.

**1.2. Adoption of New and Revised International Financial Reporting Standards:**

The Company has adopted all of new and revised Standards issued by the International Accounting Financial Reporting Standards Board (the IASB) that are relevant to its operations. The adoption of these new and revised standards has only affected the presentation and disclosures of the company's financial statements.

**2. Significant Accounting Policies:**

The financial statements of the company have been prepared in accordance with **International Financial Reporting Standards (IFRS)**. The significant accounting policies adopted are as follows:

**a) Accounting Convention:**

The financial statements have been prepared under the historical cost convention except for the measurement at fair value of equity investments.

**b) Investments:**

(i) Held for trading investments are initially measured at cost. At subsequent reporting dates, investments held for trading are re-measured at fair value based on quoted market prices at that date. Unrealized gains and losses are recognized in the statement of income.

(ii) Available-for-sale investments are initially measured at cost. After initial recognition, investments which are classified as "available for sale" are re-measured at fair value. The

unrealised gains and losses on re-measurement to fair value are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the period.

The fair value of unquoted investment can not be reliably measured due to the nature of their cash flows. These investments are therefore recorded at cost less any provision for impairment.

**c) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, current and saving accounts with banks and bank deposits having maturities of less than 90 days.

**d) Accounts Receivable**

Accounts receivable are stated net of provision for doubtful debts.

**e) Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the estimated useful lives of the assets.

**f) Impairment**

An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the statement of income.

**g) Foreign currencies**

Foreign currency transactions are recorded in Qatari Riyals at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Qatari Riyals at the rate of exchange prevailing at the end of the period. The resultant exchange differences are included in the statement of income.

**h) Revenue Recognition:**

Income is recognized when earned.

**i) Financial Instruments:**

### ***Financial Assets***

The Company's principal financial assets include bank balances and cash, investments and accounts receivable and other debit balances. The financial assets are stated at their nominal value except for equity investments which are stated at fair value.

### ***Financial Liabilities***

Significant financial liabilities include accounts payable, accrued expenses and other credit balances and retention payable which are stated at their nominal value.

#### **j) Provisions:**

Provisions are recognised when the Company has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

#### **k) Employee's terminal benefits**

Provision is made for amounts payable in respect of employees terminal benefits based on Qatar Labour Law and is calculated using the employees' salary and period of service at the balance sheet date.

### **3. Cash on Hand and at Banks:**

	<b>2005</b>
	<b>QR.</b>
Cash on hand	12,149
Current accounts	21,081,239
Fixed deposits	37,000,000
<b>Total</b>	<b>58,093,388</b>

### **4. Accounts Receivable, Prepayments and Other Debit Balances:**

**2005**

	----- QR.
Advances to suppliers	6,194,389
Profit receivable from bank deposits	694,329
Prepaid rent	85,000
Other receivables	444,720
<b>Total</b>	----- <b>7,418,438</b> =====

#### **5. Investments:**

	----- 2005 ----- QR.
<b>Investments Held for Trading:</b>	
Acquisition of locally traded shares	8,809,818
Loss on revaluation of investments	(763,004)
Balance at period end – at fair value	----- 8,046,814
<b>Available-for-Sale:</b>	
Acquisition of locally traded shares - quoted	15,436,029
Decrease in fair value	(1,873,358)
Unquoted local companies	4,113,125
Balance at period end – at fair value	----- 17,675,796
<b>Total</b>	----- <b>25,722,610</b> =====

The Company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit and loss.

#### **6. Modaraba Investment:**

This represents a Modaraba arrangement under a joint venture with Al- Saif to purchase land for development and sale to third parties.

A previous Modaraba arrangement took place under a joint venture with the National Leasing Company to purchase land for development and sale to third parties. The Modaraba arrangement ended during the period with a net income of QR. 1,605,788.

#### **8. Share Capital:**

The authorised, issued and fully paid share capital consists of 12,000,000 shares of QR.10 each.

## **9. Legal Reserve:**

In accordance with the Qatar Commercial Companies' Law No. 5 of 2002, 10% of net income for the period is to be transferred to legal reserve. This reserve is to be maintained until the reserve equals 50% of the paid-up capital and is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law.

## **10. Proposed Bonus Shares:**

The Board of Directors decided in their meeting held on January 22, 2006 to propose to the forthcoming Extraordinary General Assembly to approve the increase of the Company's authorized share capital to QR. 130,000,000 of QR. 10 per share through distribution of 8.33% percent bonus shares (One share for every 12 shares held by the existing shareholders) amounting to QR. 10,000,000.

## **11. Investment Income:**

	<b><u>For the Period From</u></b> <b><u>March 8, 2004</u></b> <b><u>(Date of Commencement)</u></b> <b><u>to December 31, 2005</u></b> <b>QR.</b>
Income from sale of land	1,426,796
Income from sale of investments and dividend	12,351,478
	-----
<b>Total</b>	<b>13,778,274</b>
	=====

## **12. Pre-operating Expenses / Issuance Fees:**

Issuance fees representing 1% of share capital was used to cover certain pre-operating expenses incurred by the Founders with regard to the establishment of the Company. Other pre-operating expenses amounting to QR.1,158,793 were expensed during the period.

## **13. General and Administrative Expenses:**

**For the Period From**  
**March 8, 2004**  
**(Date of Commencement)**

**to December 31, 2005**  
**QR.**

Staff salaries and benefits	3,493,037
License and registration fees	245,271
Communication and postage	96,825
Office rent	633,333
Warehouse rent	550,000
Water and electricity	35,456
Repair, maintenance and insurance	52,277
Donations	60,000
Travelling expenses	95,659
Legal and professional fees	451,900
Printing and stationery	26,156
Advertisements	102,393
Other general expenses	110,118
	-----
<b>Total</b>	<b>5,952,425</b>
	=====

**14. Earnings Per Share:**

Earnings per share are calculated by dividing the net income for the period by the average number of ordinary shares outstanding during the period.

**For the Period From**  
**March 8, 2004**  
**(Date of Commencement)**  
**to December 31, 2005**  
**QR.**

Net income for the period	11,742,178
	=====
Average number of shares outstanding	12,000,000
	=====
Basic and diluted earnings per share	0.98
	=====

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**15. Compensation of Key Management Personnel:**

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

**For the Period From**  
**March 8, 2004**  
**(Date of Commencement)**  
**to December 31, 2005**  
**QR.**

Short terms benefits	2,049,178
Post-employment benefits	102,431
	-----
<b>Total</b>	<b>2,151,609</b>
	=====

In addition to the above amounts the board of directors' are also given remuneration subject to shareholders' approval as disclosed in the statement of changes in shareholders' equity.

**16. Segment Information:**

For management purpose, the Company is organised into one primary segment and operates in the State of Qatar.

**17. Financial Instruments and Management Risk:**

Financial instruments represent both financial assets and liabilities. The significant accounting policies for assets and liabilities are disclosed in Note (2) to the financial statements.

***a. Currency Risk:***

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. However, the Company is not exposed to such risk because there was no foreign currency transaction during the period.

***b. Credit Risk:***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company deposits its cash and revenue collected in credit worthy and reputable institutions. Credit risk relating to receivables is limited as it is spread over a large number of customers. Furthermore, the Company obtains appropriate securities.

***c. Liquidity Risk***

Represents the risk that the Company will not be able to settle its financial obligations due to cash and liquidity problem. Liquidity risk arises from the inability to collect instalments from its customers on financing activities or pay as and when they become due. Management confirms that cash and liquidity sources are sufficiently available to cover future obligations of the Company.



**7. Property and Equipment:**

	<b>Land</b>	<b>Office Equipment</b>	<b>Furniture and Fittings</b>	<b>Warehouse Equipment</b>	<b>Vehicles</b>	<b>Office Renovation</b>	<b>Work-in- Progress</b>	<b>Total</b>
	----- QR.	----- QR.	----- QR.	----- QR.	----- QR.	----- QR.	----- QR.	----- QR.
<b>Cost:</b>								
Additions during the period	8,167,353	477,083	304,135	155,692	428,800	528,314	33,447,397	43,508,774
December 31, 2005	----- 8,167,353	----- 477,083	----- 304,135	----- 155,692	----- 428,800	----- 528,314	----- 33,447,397	----- 43,508,774
<b>Depreciation:</b>								
Charge for the period	--	147,387	105,857	28,723	60,444	167,311	--	509,722
December 31, 2005	----- --	----- 147,387	----- 105,857	----- 28,723	----- 60,444	----- 167,311	----- --	----- 509,722
<b>Net Book Value:</b>								
December 31, 2005	----- 8,167,353	----- 329,696	----- 198,278	----- 126,969	----- 368,356	----- 361,003	----- 33,447,397	----- 42,999,052 =====
Rate of Depreciation	----- --	----- 20%-30%	----- 25%	----- 20%	----- 20%	----- 20%	----- --	----- =

