

**Salam International Investment Limited  
(Qatari Public Shareholding Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2003**

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C.)  
DOHA (QATAR)**

We have audited the accompanying consolidated balance sheet of Salam International Investment Limited (Q.S.C.) as of 31 December 2003 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

Except as discussed in the paragraphs (1) to (3) below, 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 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.

1. The Consolidated Financial Statements include the results of the subsidiaries listed in Note 2 to the Consolidated Financial Statements which have been audited by other auditors. These subsidiaries have a combined total assets of QR 414.8 million (2002 : QR 285.0 million) and have a combined net results of QR 28.2 million (2002 : QR 17.7 million). We have been unable to review the work carried out by the auditors of the subsidiaries and accordingly we are unable to express an opinion on the amounts relating thereto included in the Consolidated Financial Statements. Our report on the Consolidated Financial Statements for 2002 was qualified for the same reason.
2. As further explained in Note 15 to the Consolidated Financial Statements we were not able to obtain the audited financial statements of Gulf Finance House and Palestine Tourism Company as at 31 December 2003. Therefore, we are unable to assess the net realisable value of these investments, which have carrying value of QR 5,847,987 (2002: QR 8,347,293). Our report on the Consolidated Financial Statements for 2002 was qualified for the same reason.
3. As further explained in Note 12 to the Consolidated Financial Statements, payments on projects, amounting to QR 10,375,686 (2002 : QR 10,327,505), represent amounts paid for the hotel and business center project located in Gazah Beach, Al-Sodaniah area – Palestinian Authority areas, where the Company decided to postpone the completion of the project due to the current political situation. We were not able to assess the possibility of recovering the amounts paid on the project and quantify the necessary provision due to the current political situation in the Palestinian Authority areas. Our report on the Consolidated Financial Statements for 2002 was qualified for the same reason.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C.)  
DOHA (QATAR)  
(Continued)**

4. International Accounting Standard 40: "Investment Property" requires that the Company should disclose the fair value of its investment properties, where investment properties are accounted for on a cost basis. The Company has not carried out an independent valuation of the investment in Salam Tower included in Note 13 and hence has not disclosed the fair value of this investment property in the accompanying Consolidated Financial Statements.
5. As further explained in Note 28 to the Consolidated Financial Statements, the identifiable assets and liabilities acquired as a result of the take over of Salam Tower by the Company have been recorded at the book value. International Accounting Standard 22, "Business Combinations", requires that these should be measured at the fair value as at the date of acquisition. In the absence of this fair value measurement, we are unable to assess the impact on the results of the Company for the year or on the financial position of the Company as at the balance sheet date.

In our opinion, except for the effect of such adjustments, if any, that may arise as a result of the matters mentioned in paragraphs 2 to 4 above, the effect on the Consolidated Financial Statements of the matters referred to in paragraph 5 and based on the reports of other auditors as mentioned in paragraph 1, the Consolidated Financial Statements present fairly, in all material respects, the financial position of Salam International Investment Limited (Q.S.C.) as of 31 December 2003 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 Company and the contents of the directors' report which relates to the financial information are in agreement with the Company's accounting records, an inventory count has been conducted in accordance with established principles and the Consolidated Financial Statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or on its financial position.

A. Mekhael, F.C.C.A.  
of Ernst & Young  
Auditor's Registration No. 59

Date: 8 March 2004  
Doha

Salam International Investment Limited  
(Qatari Public Shareholding Company)

CONSOLIDATED INCOME STATEMENT

Year Ended 31 December 2003

	<i>Notes</i>	<b>2003 QR</b>	<b>2002 QR</b>
Operating income	4	<b>268,393,160</b>	277,538,718
Operating costs	5	<b><u>(200,074,945)</u></b>	<u>(216,867,328)</u>
<b>OPERATING PROFIT</b>		<b>68,318,215</b>	60,671,390
Investment income	6	<b>10,931,974</b>	2,993,716
Service and commission income		<b>5,566,861</b>	6,910,439
Other income	7	<b>3,003,338</b>	3,345,861
General and administration expenses	8	<b>(51,683,423)</b>	(44,569,425)
Depreciation on property, plant and equipment	11	<b>(3,499,235)</b>	(4,187,175)
Depreciation on investment properties	13	<b>(1,787,646)</b>	-
Amortisation	14	<b>(2,548,136)</b>	(2,521,534)
Finance costs		<b><u>(2,318,438)</u></b>	<u>(881,458)</u>
<b>PROFIT BEFORE GENERAL MANAGERS' PROFIT SHARING</b>		<b>25,983,510</b>	21,761,814
General Managers' profit sharing	9	<b><u>(2,259,010)</u></b>	<u>(2,208,838)</u>
<b>NET PROFIT FOR THE YEAR</b>		<b><u>23,724,500</u></b>	<u>19,552,976</u>
Basic earning per share- QR	10	<b><u>0.98</u></b>	<u>0.80</u>
Number of shares	10	<b><u>24,300,000</u></b>	<u>24,300,000</u>

The attached notes 1 to 35 form part of these consolidated financial statements.

Salam International Investment Limited  
(Qatari Public Shareholding Company)

CONSOLIDATED BALANCE SHEET

At 31 December 2003

	<i>Notes</i>	<b>2003 QR</b>	<b>2002 QR</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	22,488,932	8,807,434
Payments on projects	12	10,375,685	10,327,505
Investment properties	13	91,029,562	19,574,078
Intangible assets	14	115,339,674	113,040,879
Available-for-sale investments	15	9,709,322	14,205,178
Long term project retentions		<u>7,217,942</u>	<u>6,611,068</u>
		<b>256,161,117</b>	<b>172,566,142</b>
<b>Current assets</b>			
Inventories	16	30,696,402	25,149,842
Contract work in progress		-	2,090,425
Short term project retentions		13,932,297	7,128,384
Accounts receivable and prepayments	17	134,171,468	123,632,606
Held-for-trading investments	18	-	3,260,305
Bank balances and cash	19	<u>13,474,579</u>	<u>26,869,252</u>
		<b>192,274,746</b>	<b>188,130,814</b>
<b>TOTAL ASSETS</b>		<b><u>448,435,863</u></b>	<b><u>360,696,956</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Due to banks	19	28,283,576	11,963,885
Accounts payable and accruals	20	92,955,225	66,161,965
Short term project retentions payable		3,912,134	5,092,362
Advances received from customers		15,426,208	13,806,524
Current portion of term loan	22	<u>5,318,974</u>	<u>-</u>
		<b>145,896,117</b>	<b>97,024,736</b>
<b>Non-current Liabilities</b>			
Long term project retentions payable		5,945,653	1,559,597
Employees' end of service benefits	21	1,882,063	1,644,095
Non-current portion of term loan	22	<u>20,317,475</u>	<u>-</u>
		<b>28,145,191</b>	<b>3,203,692</b>
<b>Capital and reserve</b>			
Share capital	23	243,000,000	241,905,000
Legal reserve	24	4,828,548	2,456,098
Cumulative changes in fair values		(7,930,697)	(3,799,841)
Retained earnings		8,977,324	4,842,971
Revaluation reserve	25	7,879,380	-
Proposed dividend	26	17,010,000	14,514,300
Proposed directors' remuneration		<u>630,000</u>	<u>550,000</u>
<b>Total equity</b>		<b><u>274,394,555</u></b>	<b><u>260,468,528</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>448,435,863</u></b>	<b><u>360,696,956</u></b>

These Consolidated Financial Statements were approved by the Board of Directors on 8 March 2004 and signed on their behalf by:

Mr. Issa Abdul Salam Abu Issa  
Chairman and Chief Executive Officer

Mr. Hussam Abdul Salam Abu Issa  
Vice Chairman and Chief Operating Officer

The attached notes 1 to 35 form part of these consolidated financial statements.

Salam International Investment Limited  
(Qatari Public Shareholding Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2003

	<i>Note</i>	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		<b>23,724,500</b>	19,552,976
Adjustments for:			
Depreciation on investment properties		<b>1,787,646</b>	-
Depreciation and amortisation		<b>6,746,138</b>	6,708,709
Finance costs		<b>2,318,438</b>	881,458
Interest income		<b>(191,913)</b>	(1,596,382)
Dividend income		<b>(127,317)</b>	(150,001)
Gain on sale of investment properties		<b>(1,748,468)</b>	(1,922,193)
(Profit) loss on sale/revaluation of investments held-for-trading		<b>(214,522)</b>	958,186
Gain on sale of available-for-sale investments		<b>(51,527)</b>	(283,326)
Profit on sale of property, plant and equipment		<b>(137,884)</b>	(221,691)
Provision for employees end of service benefits		<b>363,145</b>	345,332
Operating profit before working capital changes		<b>32,468,236</b>	24,273,068
Accounts receivable and prepayments		<b>(10,538,862)</b>	(123,535,330)
Project retentions		<b>(7,410,787)</b>	(13,739,452)
Contract work in progress		<b>2,090,425</b>	(2,090,425)
Inventories		<b>(5,546,560)</b>	(25,149,842)
Accounts payable and accruals		<b>26,793,260</b>	65,395,446
Retentions payable		<b>3,205,828</b>	6,651,959
Advance received from customers		<b>1,619,684</b>	13,806,524
Cash from (used in) operations		<b>42,681,224</b>	(54,388,052)
Employees end of service benefits paid		<b>(125,177)</b>	1,298,763
Finance costs		<b>(2,318,438)</b>	(881,458)
Net cash from (used in) operations		<b>40,237,609</b>	(53,970,747)
<b>INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries		-	(115,497,576)
Net movement in investments		<b>3,978,521</b>	(2,707,165)
Purchase of intangibles		<b>(4,846,931)</b>	(64,837)
Purchase/transfers of property, plant and equipment		<b>(10,153,706)</b>	(14,208,252)
Proceeds from sale of property, plant and equipment		<b>713,772</b>	1,527,653
Increase in payments on projects		<b>(48,180)</b>	(78,160)
Dividends received		<b>127,317</b>	150,001
Interest received		<b>191,913</b>	1,596,382
Net movement in investment properties		<b>(71,581,828)</b>	(5,573,071)
Net cash used in investing activities		<b>(81,619,122)</b>	(134,855,025)
<b>FINANCING ACTIVITIES</b>			
Increase in paid up capital		<b>1,095,000</b>	171,754,341
Dividends paid and held for payment		<b>(14,514,300)</b>	-
Net movement in term loan		<b>25,636,449</b>	-
Remuneration for Board of Directors paid		<b>(550,000)</b>	-
Net cash from financing activities		<b>11,667,149</b>	171,754,341
<b>DECREASE IN CASH AND BANK BALANCES</b>		<b>(29,714,364)</b>	(17,071,431)
Cash and bank balances at the beginning of the year		<b>14,905,367</b>	31,976,798
<b>CASH AND BANK BALANCES AT THE END OF THE YEAR</b>	19	<b>(14,808,997)</b>	14,905,367

The attached notes 1 to 35 form part of these consolidated financial statements.

Salam International Investment Limited  
(Qatari Public Shareholding Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year Ended 31 December 2003

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Excess in establishment fees collected</i>	<i>Cumulative changes in fair values</i>	<i>Retained earnings</i>	<i>Proposed dividends</i>	<i>Proposed directors' remuneration</i>	<i>Revaluation reserve</i>	<i>Total</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
Balance at 31 December 2001	70,155,555	500,800	-	(798,040)	2,304,697	-	-	-	72,163,012
Capital introduced during the year	171,749,445	-	-	-	-	-	-	-	171,749,445
Net profit for the year	-	-	-	-	19,552,976	-	-	-	19,552,976
Transfer to legal reserve	-	1,955,298	-	-	(1,955,298)	-	-	-	-
Net changes in the cumulative changes in fair values	-	-	-	(3,001,801)	-	-	-	-	(3,001,801)
Net establishment fees transferred to retained earnings	-	-	(4,896)	-	4,896	-	-	-	-
Net increase in establishment fees	-	-	4,896	-	-	-	-	-	4,896
Proposed dividend for 2002	-	-	-	-	(14,514,300)	14,514,300	-	-	-
Proposed directors' remuneration	-	-	-	-	(550,000)	-	550,000	-	-
Balance at 31 December 2002	241,905,000	2,456,098	-	(3,799,841)	4,842,971	14,514,300	550,000	-	260,468,528
Capital introduced during the year	1,095,000	-	-	-	-	-	-	-	1,095,000
Net profit for the year	-	-	-	-	23,724,500	-	-	-	23,724,500
Transfer to legal reserve	-	2,372,450	-	-	(2,372,450)	-	-	-	-
Net changes in the cumulative changes in fair values	-	-	-	(4,130,856)	-	-	-	-	(4,130,856)
Revaluation reserve (Note 11)	-	-	-	-	-	-	-	8,301,683	8,301,683
Transfer from revaluation reserve	-	-	-	-	422,303	-	-	(422,303)	-
Dividend for 2002 paid (Note 26)	-	-	-	-	-	(14,514,300)	-	-	(14,514,300)
Remuneration for directors paid	-	-	-	-	-	-	(550,000)	-	(550,000)
Proposed dividends for 2003 (Note 26)	-	-	-	-	(17,010,000)	17,010,000	-	-	-
Proposed directors' remuneration	-	-	-	-	(630,000)	-	630,000	-	-
<b>Balance at 31 December 2003</b>	<b>243,000,000</b>	<b>4,828,548</b>	<b>-</b>	<b>(7,930,697)</b>	<b>8,977,324</b>	<b>17,010,000</b>	<b>630,000</b>	<b>7,879,380</b>	<b>274,394,555</b>

The attached notes 1 to 35 form part of these consolidated financial statements.

# Salam International Investment Limited (Qatari Public Shareholding Company)

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2003

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Salam International Investment Limited (the "Company") is a public shareholding company incorporated under Amiri Decree No. (1) of 1998 on 14 January 1998 with authorised share Capital of 50,000,000 shares of US Dollars 1.00 (QR 3.65) each. By an extra-ordinary General Assembly meeting held on 27 May 2000, the shareholders of the company resolved to decrease the share capital from 50,000,000 shares to 20,000,000 shares of US Dollars 1.00 (QR 3.65) each.

On 5 August 2002, the management of the company finalised all legal procedures necessary for the implementation of the resolution adopted by the extraordinary General Assembly meeting held on 30 June 2002 stipulating that Salam International Investment Limited shall acquire a number of companies in the State of Qatar and the United Arab Emirates as from 1 January 2002, representing the effective date of acquisition, by way of increasing the share capital by QR 170,000,000, which was the fair value of the companies intended to be acquired. Thus, the share capital was increased to QR 243,000,000 divided over 24,300,000 shares of QR 10 each. Further, the par value of the shares was changed to be denominated in Qatari Riyal instead of US Dollar.

The major objectives of the Company are to establish, incorporate and own enterprises in the commercial, industrial, educational, tourist, real estate financial and service areas and to practice the respective activities on commercial and investment basis and to acquire and own shares there-in. The Company aims also to establish, own and practice all activities of financial investment companies.

Contracts are being currently pursued with the authority in the United Arab Emirates (U.A.E.) to approve the registration of the establishments and companies existing in the U.A.E. in the name of Salam International Investment Limited. The Company has taken all legal procedures necessary to secure its right in all these companies as the partners and shareholders to these companies have signed irrevocable affidavits that Salam International Investment Limited fully owns these companies.

The Company employed 1,022 employees as of 31 December 2003 (2002 : 966 employees).

### 2 BASIS OF CONSOLIDATION

Subsidiary concerns are businesses in which the Company owns more than 50% of the capital or in which it is able to appoint the management and control company policy.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

The consolidated financial statements incorporate the financial statements of the Company and each of the following fully owned subsidiaries for the year ended 31 December 2003:

- Alu Nasa Company W.L.L., Qatar
- Gulf Industries for Refrigeration and Catering Company W.L.L., Qatar
- International Trading & Contracting Company W.L.L., Qatar
- Omnix Qatar Company W.L.L., Qatar
- Qatar Gardens Company (A branch of International Trading & Contracting Company W.L.L.), Qatar
- Salam Industries W.L.L., Qatar
- Salam Petroleum Services W.L.L., Qatar
- Salam Technical Services W.L.L., Qatar
- Stream Industrial and Engineering Company W.L.L., Qatar
- Atelier 21, United Arab Emirates
- Modern Decoration Company (Limited Liability Company), United Arab Emirates
- Middle East Marketing Company, United Arab Emirates
- Salam Enterprises Company (Limited Liability Company), United Arab Emirates
- Salam Technical Services, United Arab Emirates
- Avid Middle East, United Arab Emirates
- Salam Tower, Qatar

Salam International Investment Limited  
(Qatari Public Shareholding Company)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2003

**2 BASIS OF CONSOLIDATION (Continued)**

The subsidiaries operate in the areas of communication, information technology, industry, oil and gas services, contracting, real estate services and trade in the State of Qatar and the United Arab Emirates.

The investments in the subsidiaries have been combined on an overall basis after elimination of the significant accounts and transactions between the subsidiaries and the Company.

**3 SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

These Consolidated Financial Statements are prepared in accordance with Standards issued or adopted by the International Accounting Standards Board, and interpretations issued by International Financial Reporting Interpretations Committee and applicable requirements of Qatar Commercial Companies Laws.

The Consolidated Financial Statements have been presented in Qatari Riyals.

**Accounting convention**

The Consolidated Financial Statements are prepared under the historical cost convention, modified to include the measurement at fair value of trading and available-for-sale investments.

**Revenue**

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

*Sale of goods*

Revenue is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.

*Contract revenue*

Contract revenue is recognised on the basis of work completed. The percentage of work completed is calculated based on the actual cost of projects proportional to the estimated overall cost of projects at the balance sheet date. Contract costs include the cost of direct materials and the cost of labour and indirect costs allotted to the projects according to their values. A provision is made for anticipated losses on uncompleted projects.

*Interest*

Revenue is recognised as the interest accrues.

*Dividends*

Revenue is recognised when the shareholders right to receive the payment is established.

**Goodwill**

Goodwill represents the excess of the cost of acquisition over the book value of identifiable net assets of the subsidiaries at the date of acquisition. Goodwill is amortised on a straight-line basis over its useful future economic life of 46 years. The management has based the period of amortisation on the value and period of agencies acquired by the Company which in most cases extend to indefinite period of time.

The value of goodwill is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortisation and any impairment in value. The amortisation for each year is recognised as an expense in the income statement.

**Intangible assets**

Intangible assets acquired are capitalised at cost. These are amortised on a straight-line basis over their useful economic life up to a presumed maximum of 4 years.

Salam International Investment Limited  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2003

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is provided on a straight-line basis over the estimated useful lives. During the year, the Company revised the estimated useful lives of property, plant and equipment as follows:

	<b>2003 Revised useful live</b>	<b>2002 Estimated useful live</b>
Buildings	<b>5-20 years</b>	4-10 years
Equipments, machinery and tools	<b>5-7 years</b>	4 years
Furniture and fixture	<b>5-7 years</b>	4 years
Motor vehicles	<b>5 years</b>	4 years
Computer software	<b>3-4 years</b>	3-4 years
Leasehold improvement	<b>5-7 years</b>	4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that 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.

**Impairment and uncollectibility of financial assets**

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

**Investment properties**

Land and buildings are considered as investment properties only when they are being held to earn rentals or capital appreciation or both.

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is provided on straight-line basis over the estimated useful lives as follows:

Building in Dubai	10 years
Salam Tower building	50 years

**Investments**

The Company maintains two separate investment portfolios as follows:

- Held-for-trading investments, and
- Available-for-sale investments

All investments are initially recognised at cost being the fair value of the consideration given.

*Held for trading*

After initial recognition, investments held-for-trading are remeasured at fair value. Gain and losses resulting from the changes in fair values of these investments are included in the income statement.

*Available-for-sale investments*

After initial recognition, investments classified as available-for-sale are remeasured at fair value. Gain or losses resulting from the changes in fair values of these investments are recognised 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 income statement for the period.

Salam International Investment Limited  
(Qatari Public Shareholding Company)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2003

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair values**

For investments held for trading or available for sale which are traded in organised financial markets, fair value is determined by reference to the quoted market bid price at the close of the business on balance sheet date. For investments which are listed in inactive stock markets, traded in small quantities or have no current prices, the fair value is measured using the current value of cash flows or any other method adopted. If there is no reliable method for the measurement of these investments, then they are stated at cost less any impairment in their value.

**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 specific identification basis for items easily identifiable and on a weighted average basis for other items.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

**Accounts receivable**

Accounts receivable are stated net of provisions for amounts estimated to be non-collectable. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**Contract work in progress**

Contract work in progress is stated at cost, plus attributable profit, less progress payments received and receivable. Cost includes material, labour and other direct costs plus an appropriate allocation of overheads. Attributable profit is not recognised until the contract has progressed to the point where the ultimate realisable profit can be reasonably determined. Provision is made for contingencies and any anticipated future losses.

**Cash and cash equivalents**

For the purpose of statement of cash flows, cash and cash equivalents consist of bank balances and cash, net of amounts due to bank.

**Accounts payable and accruals**

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

**Employees' end of service benefits**

A provision is made for the end of service benefits for employees according to the Company's internal policies. The expected cost of these benefits are accrued over the period of employment.

**Foreign currency translation**

Transactions in foreign currencies are recorded at the rate of exchange ruling at date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the exchange rate ruling at balance sheet date. Any gain or loss arising from changes in exchange rates is recognised in the income statement.

**Provisions**

Provisions are recognised when the company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

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**4 OPERATING INCOME**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Contract income	<b>160,488,265</b>	180,624,681
Trade sales	<b>96,045,389</b>	81,010,501
Sale of service orders	<b>11,507,334</b>	14,389,892
Income from consultancy services	-	1,200,000
Others	<u>352,172</u>	<u>313,644</u>
	<u><b>268,393,160</b></u>	<u>277,538,718</u>

**5 OPERATING COSTS**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Contract costs	<b>125,254,791</b>	151,993,561
Cost of trade sales	<b>66,947,322</b>	56,761,101
Cost of service order sales	<b>7,722,217</b>	7,949,456
Others	<u>150,615</u>	<u>163,210</u>
	<u><b>200,074,945</b></u>	<u>216,867,328</u>

**6 INVESTMENT INCOME**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Rental income from Salam Tower	<b>8,326,304</b>	-
Gain on sale of investment properties	<b>1,748,468</b>	1,922,193
Interest income	<b>191,913</b>	1,596,382
Profit on sale of available-for-sale investments	<b>51,527</b>	283,326
Loss on adjustment of held-for-trading investment to fair value	-	(958,186)
Dividend income	<b>127,317</b>	150,001
Profit on sale of investments held for trading	<b>214,522</b>	-
Other investment income	<u>271,923</u>	<u>-</u>
	<u><b>10,931,974</b></u>	<u>2,993,716</u>

**7 OTHER INCOME**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Profit on sale of property, plant and equipment	<b>137,884</b>	221,691
Others	<u>2,865,454</u>	<u>3,124,170</u>
	<u><b>3,003,338</b></u>	<u>3,345,861</u>

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**8 GENERAL AND ADMINISTRATION EXPENSES**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Staff costs	27,126,563	24,901,411
Office rent	3,324,481	4,326,944
Provision for bad and doubtful debts	2,442,301	579,445
Provision for slow moving inventories	1,629,352	192,297
Repairs and maintenance	1,644,821	1,330,100
Travelling expenses	1,057,284	1,172,030
Communication expenses	1,204,098	1,271,310
Insurance expenses	454,377	399,836
Legal and consultancy charges	475,187	407,655
Printing and stationery	483,951	444,494
Tender fee	575,223	423,523
Donation	272,198	500,860
Electricity and water	817,387	579,277
Others	<u>10,176,200</u>	<u>8,040,243</u>
	<u><b>51,683,423</b></u>	<u><b>44,569,425</b></u>

**9 GENERAL MANAGERS' PROFIT SHARING**

As per its current policy, which could be changed, the Company pays a profit sharing to the General Managers of the individual subsidiaries at the rate of 10% of the net profit before general managers' profit sharing for the year.

**10 BASIC EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Net profit for the year	<u>23,724,500</u>	<u>19,552,976</u>
Number of shares	<u>24,300,000</u>	<u>24,300,000</u>
Basic earnings per share	<u><b>0.98</b></u>	<u><b>0.80</b></u>

There have been no transactions involving the shares since the reporting date and before the completion of these consolidated financial statements.

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**11 PROPERTY, PLANT AND EQUIPMENT**

	<i>Buildings</i> <i>QR</i>	<i>Leasehold</i> <i>Improvement</i> <i>QR</i>	<i>Furniture</i> <i>and</i> <i>fixture</i> <i>QR</i>	<i>Motor</i> <i>vehicles</i> <i>QR</i>	<i>Equipment</i> <i>and tools</i> <i>QR</i>	<i>Capital</i> <i>work in</i> <i>progress</i> <i>QR</i>	<i>Total</i> <i>QR</i>
<b>Cost:</b>							
At 1 January 2003	8,762,177	3,833,820	7,721,036	8,231,826	14,984,233	-	43,533,092
Adjustments for revaluation	2,048,754	-	-	-	-	-	2,048,754
Additions	79,880	2,930,153	2,922,222	1,089,525	2,079,803	930,498	10,032,081
Acquisition of a subsidiary	-	306,873	40,589	71,500	27,237	-	446,199
Disposals	<u>(9,029)</u>	<u>(318,053)</u>	<u>(919,734)</u>	<u>(833,286)</u>	<u>(1,561,679)</u>	<u>-</u>	<u>(3,641,781)</u>
At 31 December 2003	<u>10,881,782</u>	<u>6,752,793</u>	<u>9,764,113</u>	<u>8,559,565</u>	<u>15,529,594</u>	<u>930,498</u>	<u>52,418,345</u>
<b>Depreciation:</b>							
At 1 January 2003	7,997,930	2,442,310	6,151,676	5,481,466	12,652,276	-	34,725,658
Adjustments for revaluation	(6,252,928)	-	-	-	-	-	(6,252,928)
Depreciation charge for the year	727,260	358,330	806,625	949,000	1,356,787	-	4,198,002
Acquisition of a subsidiary	-	247,124	32,365	22,188	22,897	-	324,574
Relating to disposals	<u>-</u>	<u>(191,059)</u>	<u>(839,931)</u>	<u>(735,469)</u>	<u>(1,299,434)</u>	<u>-</u>	<u>(3,065,893)</u>
At 31 December 2003	<u>2,472,262</u>	<u>2,856,705</u>	<u>6,150,735</u>	<u>5,717,185</u>	<u>12,732,526</u>	<u>-</u>	<u>29,929,413</u>
<b>Net Carrying amount</b>							
<b>At 31 December 2003</b>	<u><b>8,409,520</b></u>	<u><b>3,896,088</b></u>	<u><b>3,613,378</b></u>	<u><b>2,842,380</b></u>	<u><b>2,797,068</b></u>	<u><b>930,498</b></u>	<u><b>22,488,932</b></u>
At 31 December 2002	<u>764,247</u>	<u>1,391,510</u>	<u>1,569,360</u>	<u>2,750,360</u>	<u>2,331,957</u>	<u>-</u>	<u>8,807,434</u>

Notes:

(a) Buildings amounting to QR 10,448,647 have been constructed over land leased from the Government of the State of Qatar.

(b) Certain of the buildings of Salam Industries W.L.L. whose book value was nil have been revalued at QR 8,301,683 as at 1 January 2003 (Refer Note 25).

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**11 PROPERTY, PLANT AND EQUIPMENT (Continued)**

(c) The depreciation charge has been allocated in the income statement as follows:

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Operating costs	<b>698,767</b>	-
Depreciation	<b>3,499,235</b>	<u>4,187,175</u>
	<b><u>4,198,002</u></b>	<b><u>4,187,175</u></b>

**12 PAYMENTS ON PROJECTS**

In 1998, an agreement was made with GRDG Inc. - General Resources Design Group for the construction of a hotel and business center project in Gaza Beach in Al-Sodaniah area. Accordingly, a company in the name of Ronald Brown Gaza Trade Center was established in Palestine in which the Company held 49% of its capital. During the year 2000, all the shares of Ronald Brown Gaza Trade Center were assigned in favour of the Company.

During 1998, design, construction and supervision agreements were entered into with M/s GRDG Inc. under which it carries out the engineering, construction and supervision works of the hotel and business center projects. Details of the amounts paid on the projects are as follows:

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Design, Construction and supervision of car parking paid to GRDG Inc.	<b>8,934,617</b>	8,934,617
Licenses and legal advice fees	<b>294,767</b>	294,767
Salaries and travelling expenses	<b>741,869</b>	741,869
Other project expenses	<b>404,432</b>	<u>356,252</u>
	<b><u>10,375,685</u></b>	<b><u>10,327,505</u></b>

Currently the company has suspended the project work and has decided to postpone execution of the project in the light of the recent developments in the Palestinian Authority areas with the aim of reducing the risks. Taking into consideration the political developments in the area, the Company will take the appropriate decisions for reducing the risks on the investment in order to protect the interests of the Company and shareholders.

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13 INVESTMENT PROPERTIES

	<i>Land in Ramallah QR</i>	<i>Land in Doha QR</i>	<i>Building in Dubai QR</i>	<i>Salam tower land and building QR</i>	<i>Total QR</i>
<b>Cost:</b>					
At 1 January 2003	4,795,529	11,068,621	3,709,928	-	19,574,078
Additions	-	-	-	86,135,514	86,135,514
Disposals	-	(11,068,621)	(1,823,763)	-	(12,892,384)
At 31 December 2003	<u>4,795,529</u>	<u>-</u>	<u>1,886,165</u>	<u>86,135,514</u>	<u>92,817,208</u>
<b>Depreciation:</b>					
Depreciation charge for the year	-	-	188,616	1,599,030	1,787,646
At 31 December 2003	<u>-</u>	<u>-</u>	<u>188,616</u>	<u>1,599,030</u>	<u>1,787,646</u>
<b>Net Carrying amounts:</b>					
At 31 December 2003	<u><b>4,795,529</b></u>	<u><b>-</b></u>	<u><b>1,697,549</b></u>	<u><b>84,536,484</b></u>	<u><b>91,029,562</b></u>
At 31 December 2002	<u>4,795,529</u>	<u>11,068,621</u>	<u>3,709,928</u>	<u>-</u>	<u>19,574,078</u>

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**13 INVESTMENT PROPERTIES (Continued)**

Notes:

- (a) Land in Ramallah represents the value of land acquired in Ramallah city for the construction of an international trade center. Up to the date of these Consolidated Financial Statements execution of this project has not commenced. The fair value of the land based on the valuation carried out by Omary Real Estate, an external valuer based in Ramallah on 27 January 2004 was QR 4,882,696.
- (b) A portion of the building in Dubai was sold during 2003. The fair value of the remaining portion of the building based on the valuation carried out by Al Izdhar Real Estate, an external valuer based in Dubai as on 31 December 2003 was QR 1,980,000.
- (c) During the year, the Company acquired Salam Tower land and building. The tower was previously managed and operated by Salam Holdings W.L.L. and was owned by the Directors and certain family members of the directors. The Company has not performed an independent valuation of the property as at the balance sheet date.

**14 INTANGIBLE ASSETS**

**a. Goodwill:**

Goodwill represents the excess of the cost of acquisition over the book value of identifiable net assets of the subsidiaries at the date of acquisition. Goodwill is amortised on a straight line basis over the management's estimate of its economic useful life of 46 years terminating in 2048.

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
<b>Cost:</b>		
Cost of acquisition of interests in the subsidiaries	<b>170,000,000</b>	170,000,000
Net assets of the subsidiaries	<b><u>(54,502,424)</u></b>	<u>(54,502,424)</u>
Purchased goodwill	<b><u>115,497,576</u></b>	<u>115,497,576</u>
<b>Amortisation:</b>		
At 1 January	<b>(2,510,815)</b>	-
Amortisation during the year	<b><u>(2,510,815)</u></b>	<u>(2,510,815)</u>
At 31 December	<b><u>(5,021,630)</u></b>	<u>(2,510,815)</u>
Net carrying amount as at 31 December	<b><u>110,475,946</u></b>	<u>112,986,761</u>

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**14 INTANGIBLE ASSETS (Continued)**

**b. Licences:**

These represent purchased costs of licences. These are amortised evenly over their useful economic life of 4 years.

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
<b>Cost</b>	<u>64,837</u>	<u>64,837</u>
<b>Amortisation:</b>		
At 1 January	(10,719)	-
Amortisation charge for the year	<u>(37,321)</u>	<u>(10,719)</u>
At 31 December	<u>(48,040)</u>	<u>(10,719)</u>
Net carrying amount at 31 December	<u>16,797</u>	<u>54,118</u>

**c. Development costs:**

These represent costs incurred on branding, strategies; and policies and procedures manuals. These will be amortised evenly over their estimated useful economic life of 5 years from 2004 after completion of the project.

<b>Cost</b>	<u>4,846,931</u>	<u>-</u>
<b>Total (a+b+c):</b>		
<b>Cost</b>	<u>120,409,344</u>	<u>115,562,413</u>
<b>Amortisation:</b>		
At 1 January	(2,521,534)	-
Amortisation charge for the year	<u>(2,548,136)</u>	<u>(2,521,534)</u>
At 31 December	<u>(5,069,670)</u>	<u>(2,521,534)</u>
Net carrying amount at 31 December	<u>115,339,674</u>	<u>113,040,879</u>

**15 AVAILABLE-FOR-SALE INVESTMENTS**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Unquoted shares	5,847,987	8,712,293
Quoted shares	<u>3,861,335</u>	<u>5,492,885</u>
	<u>9,709,322</u>	<u>14,205,178</u>

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**15 AVAILABLE-FOR-SALE INVESTMENTS (Continued)**

Notes:

- (a) Unquoted shares include the following investments:
- (i) Investments amounting to QR 1,223,193 (2002: QR 1,028,329) in Gulf Finance House, an investment bank based in Bahrain, Manama. The Company holds 0.38% of the share capital of Gulf Finance. The investment has been recorded at the Company's share of net asset value of Gulf Finance House as at 31 December 2003 as the management believe that the fair value of the investments approximate the net asset value.
  - (ii) Investments amounting to QR 4,624,794 (2002: QR 7,318,964) in Palestine Tourism Investment Company Limited, a Company based in Beit Lahem, Palestine. The investment has been recorded at the Company's share of net asset value estimation as at 31 December 2003 as the management believe that the fair value of the investments approximate the estimated net asset value.
- (b) Quoted shares include 10,000 shares amounting to QR 3,861,335 (2002: QR 5,492,885) in Palestine Investment Bank which are pledged against membership of the Board of Directors.

**16 INVENTORIES**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Stock in hand	<b>39,654,999</b>	<b>33,976,306</b>
Goods in transit	<b>1,957,152</b>	<b>645,955</b>
Provision for slow moving inventories	<b>(10,915,749)</b>	<b>(9,472,419)</b>
	<b><u>30,696,402</u></b>	<b><u>25,149,842</u></b>

**17 ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Trade accounts receivable	<b>105,456,549</b>	97,465,419
Notes receivable	<b>2,988,882</b>	1,730,385
Amounts due from related parties (Note 30)	<b>2,021,638</b>	13,202,694
Advance payments	<b>750,946</b>	804,962
Accrued income	<b>20,093,295</b>	7,366,412
Other receivable	<b>2,860,158</b>	3,062,734
	<b><u>134,171,468</u></b>	<b><u>123,632,606</u></b>

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**18 HELD FOR TRADING INVESTMENTS**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Qatar National Bank	-	876,355
Qatar National Navigation Company	-	988,000
Jordan Telecom Company	-	1,395,950
	<u>-</u>	<u>3,260,305</u>

**19 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the statement of cash flows include the following balance sheet amounts:

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Bank balances and cash	<b>13,474,579</b>	26,869,252
Due to banks	<b>(28,283,576)</b>	<b>(11,963,885)</b>
	<u><b>(14,808,997)</b></u>	<u>14,905,367</u>

**20 ACCOUNTS PAYABLE AND ACCRUALS**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Accounts payable	<b>28,837,652</b>	30,893,641
Amounts due to related parties (Note 30)	<b>7,369,090</b>	53,125
Short term notes payable	<b>1,845,345</b>	1,706,990
Other payables and accruals	<b>51,397,355</b>	33,352,685
Deferred income	<b>2,958,388</b>	-
Amounts due to shareholders	<b>547,395</b>	155,524
	<u><b>92,955,225</b></u>	<u>66,161,965</u>

**21 EMPLOYEES END OF SERVICE BENEFITS**

Movements in the provision recognised in the balance sheet are as follows:

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Liability at 1 January	<b>1,644,095</b>	-
Transfers during the year	-	<b>1,336,143</b>
Charge for the year	<b>363,145</b>	<b>345,332</b>
End of service benefits paid	<b>(125,177)</b>	<b>(37,380)</b>
	<u><b>1,882,063</b></u>	<u><b>1,644,095</b></u>

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**22 TERM LOAN**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Non-current portion	<b>20,317,475</b>	-
Current portion	<b>5,318,974</b>	-
	<b><u>25,636,449</u></b>	<b><u>-</u></b>

Term loan represents the real estate loan taken over as a result of acquisition of Salam Tower (Refer Note 28). The loan is secured by a first mortgage on the Salam Tower land and building.

The loan taken through Musawama deal is in the names of certain family members of the directors. The legal formalities for transfer of the loan in the name of the Company has not yet been completed. The loan is repayable in equal semi-annual instalments with the last instalment due in August 2010.

**23 SHARE CAPITAL**

	<i>2003</i> <i>QR</i>	<i>2002</i> <i>QR</i>
Authorised: 24,300,000 shares (2002 : 24,300,000) of QR 10 each	<b><u>243,000,000</u></b>	<b><u>243,000,000</u></b>
Issued and paid up: 24,300,000 shares (2002 : 24,300,000) of QR 10 each	<b>243,000,000</b>	243,000,000
Less: Outstanding instalments	<b><u>-</u></b>	<b><u>(1,095,000)</u></b>
	<b><u>243,000,000</u></b>	<b><u>241,905,000</u></b>

**24 LEGAL RESERVE**

As required by Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association, 10% of the profit of the Company for the year has been transferred to a legal reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not normally available for distribution, except in the circumstances stipulated by the above Law.

**25 REVALUATION RESERVE**

The revaluation reserve has arisen as a result of the revaluation of certain of the leasehold land and buildings included under property, plant and equipment of Salam Industries W.L.L. with effect from 1 January 2003 (Note 11). As a result of revaluation, the net book value of certain leasehold land and buildings of the subsidiary increased from nil to QR 8,301,683. The revaluation was carried out by an independent appraiser.

The revaluation reserve is transferred to retained earnings when the revaluation surplus is realised.

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**26 DIVIDEND PAID AND PROPOSED**

At the Annual General Assembly held on 14 April 2003, the shareholders approved to pay a dividend of QR 0.60 per share for the financial year 2002 totalling QR 14,514,300 which was paid during the year.

The Board of Directors has proposed a cash dividend of QR 0.70 per share (2002 : QR 0.60 per share) for the current financial year totaling QR 17,010,000 (2002 : QR 14,514,300), which is subject to the approval of the shareholders at the General Assembly.

**27 LEGAL MATTERS**

In connection with the changes in the ownerships, the following subsidiaries of the Company have transferred its legal reserve balances as of 1 January 2002 to their capital which is not in accordance with the United Arab Emirates Law on Commercial Companies:

	Amount UAE Dh	Amount QR
Modern Decoration Company, LLC, U.A.E.	554,213	548,671
Salam Enterprises, LLC, U.A.E.	<u>376,958</u>	<u>373,188</u>
	<u>931,171</u>	<u>921,859</u>

**28 ACQUISITION OF A SUBSIDIARY**

During the year, the Company acquired Salam Tower, which was previously managed and operated by Salam Holdings (W.L.L.) and which was previously owned by certain directors of the Company. By a power of attorney dated 18 June 2003, the previous owners of Salam Tower have assigned the rights to the company to manage the properties of Salam Tower. However, the registration and other legal formalities in respect of the acquisition has not yet been completed. Since the company retains all the risks and rewards associated with these assets and liabilities, these have been included in these Consolidated Financial Statements.

At the date of acquisition, the identifiable assets and liabilities were recognised in the books of the Company at the book value.

**29 CHANGE IN ACCOUNTING ESTIMATES**

During the year, the Company revised the estimated useful lives of property, plant and equipment as follows:

	<i>Revised useful life</i>	<i>Earlier useful life</i>
Buildings	<b>5-20 years</b>	4-10 years
Equipments, machinery and tools	<b>5-7 years</b>	4 years
Furniture and fixture	<b>5-7 years</b>	4 years
Motor vehicles	<b>5 years</b>	4 years
Computer software	<b>3-4 years</b>	3-4 years
Leasehold improvement	<b>5-7 years</b>	4 years

The effect of the change in the estimated useful lives of the assets cannot be quantified.

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**30 RELATED PARTY TRANSACTIONS**

These represent transactions with the related parties, i.e., the major shareholders, senior management of the Company and the companies of which they are the principal owners. The transactions with related parties consist principally of rents, purchase of computer software and accounting services. Pricing policies and terms of these transactions are approved by the company's management.

Amounts due from and due to related parties are disclosed in Notes 17 and 20 respectively.

**31 CONTINGENT LIABILITY**

At 31 December 2003, the company had contingent liabilities amounting to QR 78,924,571 (2002 : QR 58,356,987) in respect of bank's guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

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**32 SEGMENTAL INFORMATION**

For management purposes the Company is organised into two geographical segments; the domestic market in Qatar and the overseas market in the Gulf Co-operation Council (GCC), mainly United Arab Emirates. The transactions between segments are conducted at estimated market rates on an arm's length basis. The following table shows the distribution of the Company's revenue, expenditure and certain assets and liability information:

	<i>Qatar</i> <i>QR</i>	<i>2003</i> <i>GCC</i> <i>QR</i>	<i>Total</i>	<i>Qatar</i> <i>QR</i>	<i>2002</i> <i>GCC</i> <i>QR</i>	<i>Total</i>
<b>Operating income</b>						
From external customers	204,259,914	64,133,246	268,393,160	224,904,722	52,633,996	277,538,718
Inter-segment	<u>8,104,684</u>	<u>3,908,446</u>	<u>12,013,130</u>	<u>15,566,628</u>	<u>584,035</u>	<u>16,150,663</u>
Total revenue	<u>212,364,598</u>	<u>68,041,692</u>	<u>280,406,290</u>	<u>240,471,350</u>	<u>53,218,031</u>	<u>293,689,381</u>
<b>Results</b>						
Segment results	16,488,911	7,235,589	<u>23,724,500</u>	14,395,130	5,157,846	<u>19,552,976</u>
<b>Net profit</b>			<u>23,724,500</u>			<u>19,552,976</u>
<b>Assets and liabilities</b>						
Segment assets	<u>332,472,768</u>	<u>90,995,391</u>	423,468,159	248,812,160	83,011,583	331,823,743
Unallocated assets			<u>24,967,704</u>			<u>28,873,212</u>
			<u>448,435,863</u>			<u>360,696,955</u>
Segment liabilities	<u>150,803,508</u>	<u>23,237,800</u>	<u>174,041,308</u>	<u>84,802,056</u>	15,426,372	<u>100,228,428</u>
<b>Other segment information</b>						
Capital expenditures:						
Tangible assets	8,205,495	1,948,211	10,153,706	10,757,822	3,450,430	14,208,252
Intangible assets	<u>4,846,931</u>	<u>-</u>	<u>4,846,931</u>	<u>81,798,420</u>	<u>33,763,993</u>	<u>115,562,413</u>
	<u>13,052,426</u>	<u>1,948,211</u>	<u>15,000,637</u>	<u>92,556,242</u>	<u>37,214,423</u>	<u>129,770,665</u>
Depreciation	<u>5,105,132</u>	<u>880,516</u>	<u>5,985,648</u>	<u>3,072,597</u>	<u>1,114,578</u>	<u>4,187,175</u>
Amortisation	<u>1,814,422</u>	<u>733,714</u>	<u>2,548,136</u>	<u>1,786,007</u>	<u>735,527</u>	<u>2,521,534</u>

The management information system of the Company does not generate the information regarding business segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2003

### 33 FINANCIAL RISK MANAGEMENT

#### **Interest rate risk**

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and amounts due to banks). However, the management believes that the interest rate risk on its loans is minimal in the current business environment.

#### **Credit risk**

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

#### **Liquidity risk**

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sales require amounts to be settled within its terms of sale. Trade payables are normally settled within the terms of sale of the supplier.

#### **Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's foreign currency creditors are payable mainly in United Arab Emirates Dirham.

Management is of the opinion that the Company's exposure to currency risk is minimal.

#### **Market risk**

Market risk arises from fluctuations in share prices. The Company as any other investor is exposed to market risk on its available-for-sale investments. However, management believes that the Company's exposure is minimal as the Company monitors the share prices on a weekly basis and takes appropriate action.

### 34 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of amounts due to banks, payables, and accrued expenses.

Except for the investment properties classified as non-current assets and certain of the available-for-sale investments mentioned in Note 13 and 15 respectively, the fair values of financial instruments are not materially different from their carrying values.

### 35 COMPARATIVE FIGURES

The corresponding figures for 2002 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net profit or shareholders' equity.