

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C.)
DOHA - QATAR

INTERIM CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2004

	Note	June 30, 2004 (Reviewed)	December 31, 2003 (Audited)
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		QR.	QR.
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Due to banks		35,743,019	28,283,576
Accounts payable and accruals	9	86,946,138	89,996,837
Retentions payable		6,382,708	3,912,134
Current portion of term loan	10	5,318,974	5,318,974
Advances received from customers		6,770,482	15,426,208
Excess of billings over cost plus attributable profit		5,667,028	2,958,388
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Total Current Liabilities		146,828,349	145,896,117
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Non-current liabilities:			
Retentions payable		4,681,715	5,945,653
Employees end of service benefits		1,841,206	1,882,063
Long term loan	10	18,389,700	20,317,475
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Total Non-Current Liabilities		24,912,621	28,145,191
		-----	-----
Shareholders' equity:			
Share capital	13	243,000,000	243,000,000
Legal reserve	14	6,144,175	4,828,548
Cumulative changes in fair values of investments		(9,025,786)	(7,930,697)
Retained earnings		21,141,265	8,977,324
Revaluation reserve	15	7,556,080	7,879,380
Proposed dividend		--	17,010,000
Proposed directors' remuneration		--	630,000
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Net Shareholders' Equity		268,815,734	274,394,555
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Total Liabilities and Shareholders' Equity		440,556,704	448,435,863
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C)
DOHA - QATAR

INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004

	Note	June 30, 2004 (Reviewed)	June 30, 2003 (Reviewed)
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		QR.	QR.
Operating income	11	167,909,041	100,582,427
Operating cost	12	(126,590,913)	(74,580,723)
Gross Operating Profit		41,318,128	26,001,704
General and administrative expenses		(32,056,461)	(22,365,909)
Depreciation on property, plant and equipment		(2,133,905)	(1,665,812)
Depreciation on investment property		(892,058)	(792,465)
Amortization on intangible assets		(1,768,798)	(1,291,197)
Finance costs		(1,412,859)	(1,149,884)
Investment Income		7,524,974	6,501,276
Other income		3,833,853	4,649,711
Profit Before General Managers' profit Share		14,412,874	9,887,424
General Managers' Profit Share		(1,256,606)	(712,570)
Net Profit For The Period		13,156,268	9,174,854
Earnings Per Share – QR		0.54	0.38
Number of Shares		24,300,000	24,300,000

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CONSOLIDATED FINANCIAL STATEMENTS

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C.)

DOHA - QATAR

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004

	June 30, 2004 (Reviewed)	June 30, 2003 (Reviewed)
	----- QR.	----- QR.
<u>Cash Flows From Operating Activities:</u>		
Net profit for the period	13,156,268	9,174,854
Adjustments for:		
Depreciation on property, plant and equipment	2,244,229	1,665,812
Depreciation on investment property	892,058	792,465
Amortization on intangible assets	1,768,798	1,291,197
Finance costs	1,412,859	1,149,884
Interest income	(54,382)	(191,777)
Dividend income	(151,931)	(148,003)
Gain on sale of investment properties	--	(1,775,398)
Loss (gain) on revaluation of investments held-for-trading	57,360	(90,214)
Gain on sale of available -for-sale investments	(2,872,020)	(342,200)
Gain on sale of property, plant and equipment	(42,109)	(26,643)
Provision for employees end of service benefits	125,555	164,352
Cash Flow from Operations Before Working Capital Changes	16,536,685	11,664,329
Accounts receivable and prepayments	17,196,345	14,838,230
Retentions receivable	3,761,363	(2,657,351)
Contract work-in-progress	--	(2,556,529)
Inventories	(1,196,267)	(5,243,066)
Accounts payable and accruals	(3,050,699)	18,830,024
Excess of billings over cost plus attributable profit	2,708,640	--
Retentions payable	1,206,636	410,937
Advance received from customers	(8,655,726)	10,797,330
Cash from Operating Activities	28,506,977	46,083,904
Finance cost paid	(1,412,859)	(1,149,884)
Employees end of service benefits paid	(166,412)	(9,647)
Net Cash from Operating Activities	26,927,706	44,924,373

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CONSOLIDATED FINANCIAL STATEMENTS

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C.)
DOHA - QATAR

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004

	June 30, 2004	June 30, 2003
	(Reviewed)	(Reviewed)
	----- QR.	----- QR.
<u>Cash Flows From Investing Activities:</u>		
Purchase of property, plant and equipment	(4,331,761)	(6,014,466)
Proceeds from sale of property, plant and equipment	1,453,427	218,739
Increase in intangible assets	(1,207,149)	--
Net movement in investment properties	--	(73,086,694)
Net movement in investments	917,299	4,524,020
Increase in payments on projects	(17,734)	(21,900)
Dividends received	151,931	148,003
Interest received	54,382	191,777
	-----	-----
Net Cash used in Investing Activities	(2,979,605)	(74,040,521)
	-----	-----
<u>Cash Flows From Financing Activities:</u>		
Due to banks	7,459,443	5,381,544
Net movement in term loan	(1,927,775)	24,904,736
Increase in share capital	--	1,095,000
Remuneration paid to the board of directors	(630,000)	(550,000)
Dividends paid	(17,010,000)	(14,514,300)
	-----	-----
Net cash (used in) from financing activities	(12,108,332)	16,316,980
	-----	-----
Increase (Decrease) in Bank Balances and Cash	11,839,769	(12,799,168)
Bank Balances and Cash – Beginning of the period	13,474,579	26,869,252
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Bank Balances and Cash - End of the period	25,314,348	14,070,084
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C.)

DOHA - QATAR

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004

1. Status and Activities:

Salam International Investment Limited (the "Company") is a public shareholding company incorporated under Amiri Decree No. (1) on January 14, 1998.

The major activities of the Company are to establish, incorporate and own enterprises in the commercial, industrial, educational, tourist, real estate, financial and service areas, 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.

2. Significant Accounting Policies:

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard (IAS-34) "Interim Financial Reporting". The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2003.

These interim condensed consolidated financial statements incorporate the financial statements of the Company and each of its fully owned subsidiaries. These interim condensed consolidated financial statements should be read in conjunction with the 2003 annual consolidated financial statements and notes thereto.

3. Accounts Receivable and Prepayments:

	June 30, 2004 (Reviewed)	December 31, 2003 (Audited)
	QR.	QR.
Trade accounts receivables, net	101,978,780	105,456,549
Notes receivables	4,017,305	2,988,882
Due from related parties	1,809,425	2,021,638
Advance payments	1,529,462	750,946
Accrued income	3,007,135	20,093,295
Other receivable	4,633,016	2,860,158
Total	116,975,123	134,171,468

4. Available for Sale Investments:

	June 30, 2004 (Reviewed)	December 31, 2003 (Audited)
	----- QR.	----- QR.
Unquoted shares	5,111,259	5,847,987
Quoted shares	3,861,335	3,861,335
	-----	-----
Total	8,972,594	9,709,322
	=====	=====

(a) Unquoted shares include an interest of 8.62% in the share capital of Palestine Tourism Investment Company Limited (PTIC), a company based in Beit Lahem, Palestine. The investment is recorded at fair value being the Company's share of the estimated net assets value of PTIC as of June 30, 2004. The difference between the fair value and the book value has been debited to shareholders' equity as change in fair value of investments.

(b) Quoted shares represent 1,490,000 shares in Palestine Investment Bank. The Company has pledged 10,000 shares against its membership of the Board of Directors.

5. 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.

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.

6. Intangible Assets:

	June 30, 2004 (Reviewed)	December 31, 2003 (Audited)
	----- QR.	----- QR.
Opening balance	115,339,674	113,040,879
Addition during the period/year	1,207,149	4,846,931
Less: Amortisation for the period/year	(1,768,798)	(2,548,136)
	-----	-----
Net	114,778,025	115,339,674
	=====	=====

Intangible assets include goodwill, licenses costs and development costs incurred by the Company.

7. Investment Properties:

	June 30, 2004 (Reviewed)	December 31, 2003 (Audited)
	QR.	QR.
Investments in land – Ramallah	4,795,529	4,795,529
Investments in land and building – Dubai	1,603,241	1,697,549
Investments in land and building – Salam Tower	83,738,734	84,536,484
Total	90,137,504	91,029,562

In the opinion of management the fair values of these investment properties are higher than the book value.

8. Property, Plant and Equipment:

	June 30, 2004 (Reviewed)	December 31, 2003 (Audited)
	QR.	QR.
Net book value – Opening balance	22,488,932	8,807,434
Revaluations	--	8,301,683
Additions	4,331,761	10,153,705
Deletions	(1,411,318)	(575,888)
Depreciation charge for the period / year	(2,244,229)	(4,198,002)
Net book value – Closing balance	23,165,146	22,488,932

9. Accounts Payable and Accruals:

	June 30, 2004 (Reviewed)	December 31, 2003 (Audited)
	QR.	QR.
Accounts payable	29,694,774	28,837,652
Due to related parties	4,825,626	7,369,090
Notes payable	2,325,189	1,845,345
Other payable and accruals	47,748,498	51,397,355
Dividend payable	2,352,051	547,395
Total	86,946,138	89,996,837

10. Term Loan:

Term loan represents the real estate loan taken over as a result of acquisition of Salam Tower. 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 installments with the last installment due in August 2010.

11. Operating Income:

	<u>Six Month Period Ended</u>	
	June 30, 2004 (Reviewed)	June 30, 2003 (Reviewed)
	QR.	QR.
Contract income	102,215,347	53,861,088
Sale of goods	57,710,265	41,518,208
Service Income	7,983,429	5,203,131
Total	167,909,041	100,582,427

12. Operating Cost:

	<u>Six Month Period Ended</u>	
	June 30, 2004 (Reviewed)	June 30, 2003 (Reviewed)
	QR.	QR.
Contract cost	80,125,478	46,000,839
Cost of sales	40,316,016	25,216,460
Service cost	6,149,419	3,363,424
Total	126,590,913	74,580,723

13. Share Capital:

	June 30, 2004 (Reviewed)	December 31, 2003 (Audited)
	QR.	QR.
Authorised: 24,300,000 shares of QR 10 each	243,000,000	243,000,000
Issued and paid up: 24,300,000 shares of QR 10 each	243,000,000	243,000,000

14. Legal Reserve:

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

15. Revaluation Reserve:

The revaluation reserve represents the revaluation of certain of the leasehold land and buildings included under property, plant and equipment of Salam Industries W.L.L. The revaluation was carried out by an independent appraiser. 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 with effect from January 1, 2003.

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

16. Contingent Liabilities:

	June 30, 2004 (Reviewed)	December 31, 2003 (Audited)
	----- QR.	----- QR.
Letters of Credit	18,806,785	28,937,515
Letter of Guarantee	=====	=====
	78,752,457	49,987,056
	=====	=====

17. Comparative Figures:

Certain figures for prior period / year have been reclassified to conform with the current period's presentation.

18. Segment Information:

For management purposes, the Company is organized 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:

	Six Month Period Ended			Six Month Period Ended		
	June 30, 2004			June 30, 2003		
	Qatar QR.	GCC QR.	Total QR.	Qatar QR	GCC QR	Total QR.
Operating income						
From external customers	130,688,350	37,220,691	167,909,041	75,197,183	25,385,244	100,582,427
Inter-segment	<u>16,164,726</u>	<u>2,488,387</u>	<u>18,653,113</u>	<u>4,799,666</u>	<u>553,437</u>	<u>5,353,103</u>
Total revenue	<u><u>146,853,076</u></u>	<u><u>39,709,078</u></u>	<u><u>186,562,154</u></u>	<u><u>79,996,849</u></u>	<u><u>25,938,681</u></u>	<u><u>105,935,530</u></u>
Results						
Segment results	<u>9,571,632</u>	<u>3,584,636</u>	<u>13,156,268</u>	<u>6,237,687</u>	<u>2,937,167</u>	<u>9,174,854</u>
Net profit			<u><u>13,156,268</u></u>			<u><u>9,174,854</u></u>
Other segment information		June 30, 2004			June 30, 2003	
Capital expenditures:						
Tangible assets	129,320,353	3,348,310	132,668,663	140,146,522	3,467,205	143,613,727
Intangible assets	<u>81,167,998</u>	<u>33,610,027</u>	<u>114,778,025</u>	<u>79,098,749</u>	<u>32,650,933</u>	<u>111,749,682</u>
	<u><u>210,488,351</u></u>	<u><u>36,958,337</u></u>	<u><u>247,446,688</u></u>	<u><u>219,245,271</u></u>	<u><u>36,118,138</u></u>	<u><u>255,363,409</u></u>

