

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
TOGETHER WITH AUDITORS' REPORT

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

DECEMBER 31, 2004

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AUDITORS' REPORT

**To The Shareholders
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.)** (the 'Company') as of December 31, 2004 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 issue a report on these consolidated financial statements based on our audit. The consolidated financial statements of the Company include the assets, liabilities and results of operations of the subsidiaries which have been audited by other auditors who expressed their unqualified opinion on the respective financial statements. These audit reports were furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of other auditors. These subsidiaries with a combined total assets of QR 336.1 million (2003: QR 414.8 million) and a net profit of QR 35.7 million (2003: QR 28.2 million) are presented in the consolidated financial statements.

The consolidated financial statements of the Company for the year ended December 31, 2003 were audited by other auditors whose report dated March 8, 2004 expressed a qualified opinion on those consolidated financial statements in respect of the following:

- Scope limitation due to their inability to review the audit work of subsidiary companies audits carried out by other auditors;
- Inability to assess the net realizable value of certain investments amounting to QR. 5,847,987;
- Inability to assess the recoverability of certain payments on projects amounting to QR. 10,375,685;
- Absence of an independent valuation of company's investment in Salam Tower and the disclosure of its fair value in footnotes to the financial statements; and
- Acquisition of Salam Tower was recorded by the company at the identifiable assets and liabilities book value rather than at their fair values as of the date of acquisition.

Except as discussed in paragraph 1 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. As further explained in Note 8 to the consolidated financial statements, payments on projects amounting to QR 10,411,901 (2003: QR. 10,375,685) represent amounts paid for the hotel and business center project located in Gazah Beach, Al-Sodaniah area – Palestinian Authority areas. The Company decided to postpone the completion of the project due to the current political situation in the region. Accordingly, we were not able to assess the possibility of recovering the amounts paid on the project and to quantify the provision, if any, that might be required against this receivable.

In our opinion, except for the effects of such adjustments, if any, that might arise as a result of the matter mentioned in paragraph 1 above, and based on the reports of other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of **Salam International Investment Limited (Q.S.C.)** as of December 31, 2004 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 financial records have been kept by the Company and the contents of the directors' report which relate to the financial statements are in agreement with the Company's financial records, an inventory count has been conducted in accordance with established principles and the consolidated financial statements comply with Qatar Commercial Companies Law No. 5 of 2002 and the Company's 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 laws or the Articles of Association having occurred during the year which might have had a material adverse effect on the business of the Company or on its financial position.

For **Deloitte & Touche**

Doha - Qatar
February -----, 2005

Samer Hussein Jaghoub
License No. 88

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

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2004

	Note	2004	2003
<u>ASSETS</u>	-----	-----	-----
Current assets:		QR.	QR.
Bank balances and cash	4	17,264,991	13,474,579
Accounts receivable and prepayments	5	131,261,763	114,078,173
Held-for-trading investments		1,833,000	--
Short term retentions receivable		14,373,962	13,932,297
Inventories	6	32,614,020	30,696,402
Excess of cost plus attributable profit over billings		13,302,413	20,093,295
		-----	-----
Total Current Assets		210,650,149	192,274,746
		-----	-----
Non-current assets:			
Available for sale investments	7	9,625,181	9,709,322
Long term retentions receivable		9,013,867	7,217,942
Payments on projects	8	10,411,901	10,375,685
Intangible assets	9	112,904,029	115,339,674
Investment properties	10	89,236,680	91,029,562
Property, plant and equipment	11	27,501,087	22,488,932
		-----	-----
Total Non-Current Assets		258,692,745	256,161,117
		-----	-----
Total Assets		469,342,894	448,435,863
		=====	=====

These consolidated financial statements were approved by the Board of Directors on February ____, 2005 and were 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 accompanying notes are an integral part of these consolidated financial statements

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

DOHA - QATAR

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2004

	Note	2004	2003
	-----	-----	-----
		QR.	QR.
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Due to banks	4	27,364,031	28,283,576
Accounts payable and accruals	12	106,795,447	89,996,837
Short term project retentions payable		8,994,351	3,912,134
Current portion of term loan	13	3,855,551	3,855,551
Advances received from customers		4,771,818	15,426,208
Excess of billings over cost plus attributable profit		--	2,958,388
		-----	-----
Total Current Liabilities		151,781,198	144,432,694
		-----	-----
Non-current liabilities:			
Long term retentions payable		2,299,535	5,945,653
Employees end of service benefits	14	2,307,776	1,882,063
Non current portion of term loan	13	17,925,347	21,780,898
		-----	-----
Total Non-Current Liabilities		22,532,658	29,608,614
		-----	-----
Shareholders' equity:			
Share capital	15	243,000,000	243,000,000
Legal reserve	16	7,968,831	4,828,548
Cumulative changes in fair values of investments	7	--	(7,930,697)
Retained earnings		12,841,061	8,977,324
Revaluation surplus	17	6,184,146	7,879,380
Proposed cash dividend	18	--	17,010,000
Proposed issue of bonus shares	18	24,300,000	--
Proposed directors' remuneration		735,000	630,000
		-----	-----
Total Shareholders' Equity		295,029,038	274,394,555
		-----	-----
Total Liabilities and Shareholders' Equity		469,342,894	448,435,863
		=====	=====

The accompanying notes are an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004	2003
	-----	-----	-----
		QR.	QR.
Operating income	19	407,099,747	268,393,160
Operating cost	20	(300,122,042)	(200,074,945)
Operating Profit		106,977,705	68,318,215
Investment income	21	12,761,984	10,931,974
Service and commission income		6,007,195	5,566,861
Other income	22	3,268,393	3,003,338
General and administrative expenses	23	(72,627,031)	(51,683,423)
Amortization of intangible assets	9	(3,498,891)	(2,548,136)
Depreciation of investment properties	10	(1,792,882)	(1,787,646)
Depreciation of property, plant and equipment	11	(4,563,266)	(3,499,235)
Impairment on available for sale investments	7	(8,314,963)	--
Finance costs		(2,594,077)	(2,318,438)
Profit Before General Managers' Profit Share		35,624,167	25,983,510
General Managers' profit share	24	(4,221,336)	(2,259,010)
Net Profit For The Year		31,402,831	23,724,500
Earnings Per Share – QR	25	1.29	0.98

The accompanying notes are an integral part of these consolidated financial statements

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

DOHA - QATAR

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004

	Share Capital	Legal Reserve	Cumulative Changes in Fair Values of Investments	Retained Earnings	Proposed Cash Dividend	Proposed Issue of bonus shares	Proposed Directors' Remuneration	Revaluation Surplus	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Balance at January 1, 2003	241,905,000	2,456,098	(3,799,841)	4,842,971	14,514,300	--	550,000	--	260,468,528
Capital introduced during the period	1,095,000	--	--	--	--	--	--	--	1,095,000
Directors' remuneration paid for 2002	--	--	--	--	--	--	(550,000)	--	(550,000)
Dividend paid for 2002	--	--	--	--	(14,514,300)	--	--	--	(14,514,300)
Net profit for the year	--	--	--	23,724,500	--	--	--	--	23,724,500
Transfer to legal reserve	--	2,372,450	--	(2,372,450)	--	--	--	--	--
Net movement in the cumulative changes in fair values of investments	--	--	(4,130,856)	--	--	--	--	--	(4,130,856)
Transfer to revaluation surplus	--	--	--	--	--	--	--	8,301,683	8,301,683
Revaluation surplus realized	--	--	--	422,303	--	--	--	(422,303)	--
Proposed directors' remuneration	--	--	--	(630,000)	--	--	630,000	--	--
Proposed dividend	--	--	--	(17,010,000)	17,010,000	--	--	--	--
Balance at December 31, 2003	243,000,000	4,828,548	(7,930,697)	8,977,324	17,010,000	--	630,000	7,879,380	274,394,555

The accompanying notes are an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004

	Share Capital	Legal Reserve	Cumulative Changes in Fair Values of Investments	Retained Earnings	Proposed Cash Dividend	Proposed Issue of bonus shares	Proposed Directors' Remuneration	Revaluation Surplus	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Balance at January 1, 2004	243,000,000	4,828,548	(7,930,697)	8,977,324	17,010,000	--	630,000	7,879,380	274,394,555
Directors' remuneration paid	--	--	--	--	--	--	(630,000)	--	(630,000)
Dividend paid for 2003	--	--	--	--	(17,010,000)	--	--	--	(17,010,000)
Net profit for the period	--	--	--	31,402,831	--	--	--	--	31,402,831
Transfer to legal reserve	--	3,140,283	--	(3,140,283)	--	--	--	--	--
Net movement in the cumulative changes in fair values of investments (refer Note 7)	--	--	7,930,697	--	--	--	--	--	7,930,697
Revaluation surplus realized	--	--	--	636,189	--	--	--	(636,189)	--
Revaluation surplus reversed	--	--	--	--	--	--	--	(1,059,045)	(1,059,045)
Proposed directors' remuneration	--	--	--	(735,000)	--	--	735,000	--	--
Proposed dividend	--	--	--	(24,300,000)	--	24,300,000	--	--	--
Balance at December 31, 2004	243,000,000	7,968,831	--	12,841,061	--	24,300,000	735,000	6,184,146	295,029,038

The accompanying notes are an integral part of these consolidated financial statements

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

DOHA - QATAR

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
	----- QR.	----- QR.
<u>Cash Flows From Operating Activities:</u>		
Net profit for the year	31,402,831	23,724,500
Adjustments for:		
Depreciation of property, plant and equipment	4,815,082	4,198,002
Depreciation of investment property	1,792,882	1,787,646
Amortization of intangible assets	3,498,891	2,548,136
Provision for doubtful debts	9,559,683	2,442,301
Provision for slow moving stocks	5,036,036	1,629,352
Provision for employees end of service benefits	885,006	363,145
Finance costs	2,594,077	2,318,438
Interest income	(149,360)	(191,913)
Dividend income	(151,931)	(127,317)
Loss (gain) on revaluation of investments	8,314,963	--
Gain on sale of investment properties	--	(1,748,468)
Gain on sale of investments	(2,872,020)	(266,049)
Gain on sale of property, plant and equipment	(50,083)	(137,884)
	-----	-----
Cash Flow from Operations Before Working Capital Changes	64,676,057	36,539,889
Accounts receivable and prepayments	(26,743,273)	(12,981,163)
Retentions receivable	(2,237,590)	(7,410,787)
Excess of cost plus attributable profit over billings	6,790,882	2,090,425
Inventories	(6,953,654)	(7,175,912)
Accounts payable and accruals	16,798,610	26,793,260
Excess of billings over cost plus attributable profit	(2,958,388)	--
Project retentions payable	1,436,099	3,205,828
Advance received from customers	(10,654,390)	1,619,684
	-----	-----
Cash from Operations	40,154,353	42,681,224
Finance cost paid	(2,594,077)	(2,318,438)
Employees end of service benefits paid	(459,293)	(125,177)
	-----	-----
Net Cash from Operating Activities	37,100,983	40,237,609
	-----	-----

The accompanying notes are an integral part of these consolidated financial statements

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

DOHA - QATAR

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
	-----	-----
	QR.	QR.
<u>Cash Flows From Investing Activities:</u>		
Purchase of property, plant and equipment	(11,507,321)	(10,153,706)
Proceeds from sale of property, plant and equipment	1,730,167	713,772
Increase in intangible assets	(1,063,246)	(4,846,931)
Net movement in investment properties	--	(71,581,828)
Net movement in investments	(320,150)	3,978,521
Increase in payments on projects	(36,216)	(48,180)
Dividends received	151,931	127,317
Interest received	149,360	191,913
	-----	-----
Net Cash used in Investing Activities	(10,895,475)	(81,619,122)
	-----	-----
<u>Cash Flows From Financing Activities:</u>		
Net movement in term loan	(3,855,551)	25,636,449
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	(21,495,551)	11,667,149
	-----	-----
Increase (Decrease) in Cash and Cash Equivalents	4,709,957	(29,714,364)
Cash and Cash Equivalents – Beginning of the year	(14,808,997)	14,905,367
	-----	-----
Cash and Cash Equivalents - End of the year	(10,099,040)	(14,808,997)
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements

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

DOHA - QATAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 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 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 a commercial and investment basis and to acquire and own shares therein. The Company aims also to establish, own and practice all activities of financial investment companies.

Contracts are being currently pursued with the authorities 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 1,124 employees as of December 31, 2004 (2003: 1,022 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 exercise significant influence in the management of the company.

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 December 31, 2004:

- 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
- Salam Enterprises (A branch of International Trading & Contracting 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
- Salam Tower, Qatar

2. Basis of Consolidation (Continued)

Subsidiary companies 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:

a) 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 the International Financial Reporting Interpretations Committee and applicable requirements of Qatar Commercial Companies Laws.

The consolidated financial statements have been presented in Qatari Riyals.

b) 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.

c) Revenue recognition

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 direct labour and indirect costs allocated to the projects according to their values. A provision is made for anticipated losses on uncompleted projects.

Rental income

Revenue from rental income is recognized when the rent is earned.

Interest

Interest income is recognised as the interest accrues.

Dividends

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

3. Significant Accounting Policies (Continued)

d) Intangible assets

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 amortization 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.

Licenses and development costs

Licenses and development costs incurred are capitalized. These are amortised on a straight-line basis over their useful economic life up to a maximum of 5 years.

e) 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. Estimated useful lives of property, plant and equipment are as follows:

	Useful lives
Buildings	5-20 years
Equipments, machinery and tools	5-7 years
Furniture and fixture	5-7 years
Motor vehicles	5 years
Computer software	3-4 years
Leasehold improvement	5-7 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.

f) Impairment and uncollectability 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.

g) 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.

3. Significant Accounting Policies (Continued)

h) 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 a straight-line basis over the estimated useful lives as follows:

Building in Dubai	10 years
Salam Tower building	50 years

i) 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 consolidated statement of income for the year.

Available-for-sale

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 consolidated statement of income for the period.

j) 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.

k) 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.

3. Significant Accounting Policies (Continued)

l) 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.

m) Cash and cash equivalents

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

n) 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.

o) 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 is accrued over the period of employment.

p) 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 prevailing at the balance sheet date. Any gain or loss arising from changes in exchange rates is recognised in the consolidated statement of income.

q) 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.

4. Cash and Cash Equivalents:

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

	2004	2003
	QR.	QR.
Bank balances and cash	17,264,991	13,474,579
Due to banks	(27,364,031)	(28,283,576)
Total	(10,099,040)	(14,808,997)

5. Accounts Receivable and Prepayments:

	<u>2004</u>	<u>2003</u>
	QR.	QR.
Trade accounts receivables	133,533,849	118,925,397
Notes receivables	7,712,051	2,988,882
Prepaid expenses	2,331,727	1,000,197
Due from related parties	583,174	2,021,638
Advance payments	338,787	750,946
Other receivable	8,861,576	1,859,961
	153,361,164	127,547,021
Provision for bad and doubtful debts	(22,099,401)	(13,468,848)
Net	131,261,763	114,078,173

6. Inventories:

	<u>2004</u>	<u>2003</u>
	QR.	QR.
Stock in hand	45,108,884	39,654,999
Goods in transit	1,328,759	1,957,152
Provision for slow moving inventories	(13,823,623)	(10,915,749)
Total	32,614,020	30,696,402

7. Available for Sale Investments:

	<u>2004</u>	<u>2003</u>
	QR.	QR.
Unquoted shares	5,449,009	5,847,987
Quoted shares	4,176,172	3,861,335
Total	9,625,181	9,709,322

- (a) Unquoted shares include an 8.94% holding in the share capital of 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 estimated as of December 31, 2004 and the resulting loss amounting to QR 6,073,705 from the fair value estimate is recognised in the statement of income as the investment is determined to be impaired.
- (b) Quoted shares represent 1,490,000 shares in Palestine Investment Bank. These shares have been recorded at fair market value as of December 31, 2004 and the loss resulting from the change in fair value amounting to QR 2,241,258 is recognized in the statement of income as the investment is determined to be impaired.
- (c) Quoted shares of Palestine Investment Bank include 10,000 shares which the Company has pledged against its membership of the Board of Directors.

8. 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:

	2004	2003
	----- QR.	----- QR.
Design, construction and supervision of car parking paid to GRDG Inc.	8,934,617	8,934,617
Licenses and legal advice fee	294,767	294,767
Salaries and traveling expenses	778,085	741,869
Other project expenses	404,432	404,432
	----- 10,411,901	----- 10,375,685
	=====	=====

Currently the project work is suspended and the Company 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. After consideration of 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.

9. Intangible Assets:

	2004	2003
	----- QR.	----- QR.
Cost:		
Goodwill	115,497,576	115,497,576
Licenses	64,837	64,837
Development costs	5,910,177	4,846,931
	----- 121,472,590	----- 120,409,344
	-----	-----
Amortisation:		
Opening balance	5,069,670	2,521,534
Additions during the year	3,498,891	2,548,136
	----- 8,568,561	----- 5,069,670
	-----	-----
Net carrying value	112,904,029	115,339,674
	=====	=====

9. Intangible Assets (Continued)

(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.

	2004	2003
	-----	-----
Cost:	QR.	QR.
Cost of acquisition of interest in subsidiaries	170,000,000	170,000,000
Net assets of the subsidiaries	(54,502,424)	(54,502,424)
	-----	-----
Purchased Goodwill	115,497,576	115,497,576
	-----	-----
Amortisation:		
Opening balance	5,021,630	2,510,815
Amortisation during the year	2,510,817	2,510,815
	-----	-----
Closing balance	7,532,447	5,021,630
	-----	-----
Net carrying value	107,965,129	110,475,946
	=====	=====

(b) Licenses:

These represent the purchased costs of licenses. These are amortised over a straight line basis over their useful life of five years.

	2004	2003
	-----	-----
Cost:	QR.	QR.
Purchased cost	64,837	64,837
	-----	-----
Amortisation:		
Opening balance	48,040	10,719
Amortisation during the year	16,797	37,321
	-----	-----
Closing balance	64,837	48,040
	-----	-----
Net carrying value	--	16,797
	=====	=====

9. Intangible Assets (Continued)

(c) Development costs:

These represent costs incurred in branding, strategizing and developing policies and procedures manuals. These will be amortised over a straight line basis over their estimated useful economic life of five years from 2004 after completion of the project.

	2004	2003
	QR.	QR.
Cost:		
Opening balance	4,846,931	4,846,931
Additions during the year	1,063,246	--
Closing balance	5,910,177	4,846,931
Amortisation:		
Amortisation during the year	971,277	--
Closing balance	971,277	--
Net carrying value	4,938,900	4,846,931

10. Investment properties:

	Land in Ramallah	Building in Dubai	Salam Tower land and building	Total
	QR	QR	QR	QR
Cost:				
January 1, 2004	4,795,529	1,886,165	86,135,514	92,817,208
December 31, 2004	4,795,529	1,886,165	86,135,514	92,817,208
Depreciation:				
January 1, 2004	--	188,616	1,599,030	1,787,646
Addition during the year	--	188,616	1,604,266	1,792,882
December 31, 2004	--	377,232	3,203,296	3,580,528
Net Carrying Value:				
December 31, 2004	4,795,529	1,508,933	82,932,218	89,236,680
December 31, 2003	4,795,529	1,697,549	84,536,484	91,029,562

10. Investment properties (Continued)

- (a) Land in Ramallah represents the value of land acquired in Ramallah city for the construction of an international trade center. Until 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 an external valuer based in Ramallah on January 18, 2005 was QR 5,630,526.
- (b) The fair value of building in Dubai, based on the valuation carried out by an external valuer based in Dubai, as on December 31, 2004 was QR 2,000,000.
- (c) During the year 2003, 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 fair value of Salam Tower based on the valuation carried out by an external valuer based in Doha-Qatar on January 4, 2005 was QR 122,080,000.

11. Property, plant and equipment:

	Buildings	Leasehold Improvement	Furniture and fixture	Motor vehicles	Equipment and tools	Capital work in progress	Total
	QR	QR	QR	QR	QR	QR	QR
Cost:							
January 1, 2004	10,881,782	6,752,793	9,764,113	8,559,565	15,529,594	930,498	52,418,345
Additions during the year	1,259,995	1,147,288	1,262,393	1,445,545	2,890,102	4,840,758	12,846,081
Disposals during the year	(1,306,800)	(1,263,843)	(963,016)	(548,328)	(1,766,904)	(1,338,760)	(7,187,651)
December 31, 2004	10,834,977	6,636,238	10,063,490	9,456,782	16,652,792	4,432,496	58,076,775
Depreciation:							
January 1, 2004	2,472,262	2,856,705	6,150,735	5,717,185	12,732,526	--	29,929,413
Depreciation for the year	849,171	803,159	873,226	1,037,631	1,251,895	--	4,815,082
Disposals during the year	(247,755)	(1,020,382)	(789,707)	(450,522)	(1,660,441)	--	(4,168,807)
December 31, 2004	3,073,678	2,639,482	6,234,254	6,304,294	12,323,980	--	30,575,688
Net Carrying Value:							
December 31, 2004	7,761,299	3,996,756	3,829,236	3,152,488	4,328,812	4,432,496	27,501,087
December 31, 2003	8,409,520	3,896,088	3,613,378	2,842,380	2,797,068	930,498	22,488,932

- (a) Buildings amounting to QR 10,834,977 have been constructed on 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 were revalued at QR 8,301,683 as of January 1, 2003 (Refer Note 17).

11. Property, plant and equipment (Continued)

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

	2004	2003
	-----	-----
	QR.	QR.
Operating costs	251,816	698,767
Depreciation	4,563,266	3,499,235
	-----	-----
Total	4,815,082	4,198,002
	=====	=====

12. Accounts payable and accruals:

	2004	2003
	-----	-----
	QR.	QR.
Accounts payable	34,611,674	28,837,652
Customer deposits	8,082,126	6,530,463
Due to related parties	3,940,169	7,369,090
Notes payable	1,419,982	1,845,345
Other payables and accruals	58,624,949	44,866,892
Dividend payable	116,547	547,395
	-----	-----
Total	106,795,447	89,996,837
	=====	=====

13. Term loan:

	2004	2003
	-----	-----
	QR.	QR.
Non current portion	17,925,347	21,780,898
Current portion	3,855,551	3,855,551
	-----	-----
Total	21,780,898	25,636,449
	=====	=====

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

The above is in the personal names of certain of the family members of the directors. The legal formalities for transfer into the name of the Company have not yet been completed. The loan is repayable in equal semi-annual installments with the last installment due in August 2010.

14. Employees end of service benefits:

This represents provision for end of service benefits for the employees of subsidiary companies in United Arab Emirates. Movement in the provision is as follows:

	2004	2003
	QR.	QR.
Opening balance	1,882,063	1,644,095
Addition during the year	885,006	363,145
Paid during the year	(459,293)	(125,177)
Total	2,307,776	1,882,063

15. Share capital:

	2004	2003
	QR.	QR.
Authorised share capital 24,300,000 shares of QR 10 each	243,000,000	243,000,000
Issued and paid up share capital 24,300,000 shares of QR 10 each	243,000,000	243,000,000

The Board of Directors decided in their meeting held on December 29, 2004 to propose to the forthcoming Extraordinary General Assembly to approve the increase in the Company's authorized share capital by QR 157,000,000.

16. Legal reserve:

In accordance with Qatar Commercial Companies Law No.5 of 2002 and the Company's Articles of Association, 10% of the net income for the 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 above Law.

17. Revaluation surplus:

The revaluation surplus represents revaluation of certain of the leasehold land and buildings included under property, plant and equipment of Salam Industries W.L.L. with effect from January 1, 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 surplus is transferred to retained earnings when the revaluation surplus is realised. During the current year a revaluation surplus of QR 636,189 was realized and revaluation surplus of QR 1,059,045 was reversed due to the destruction of a building by fire.

18. Proposed dividend:

The Board of Directors of the Company has proposed a bonus share issue of 10% (one share for every ten shares held) for the current financial year amounting to QR 24,300,000, which is subject to the approval of the shareholders at the General Assembly.

The cash dividend proposed in 2003 amounting to QR. 17,010,000 (QR. 0.70 per share) was approved at the Annual General Meeting held on, 2004 and was paid in 2004 following the approval.

19. Operating income:

	2004	2003
	----- QR.	----- QR.
Contract income	260,296,841	160,488,265
Sale of goods	131,701,955	96,045,389
Service Income	14,982,418	11,507,334
Others	118,533	352,172
	-----	-----
Total	407,099,747	268,393,160
	=====	=====

20. Operating cost:

	2004	2003
	----- QR.	----- QR.
Contract cost	195,664,625	125,254,791
Cost of sales	93,430,157	66,947,322
Service cost	10,936,536	7,722,217
Others	90,724	150,615
	-----	-----
Total	300,122,042	200,074,945
	=====	=====

21. Investment income:

	2004	2003
	----- QR.	----- QR.
Rental income from Salam Tower	9,009,378	8,326,304
Profit on sale of available for sale investments	2,872,020	51,527
Gain on sale of investment property	--	1,748,468
Interest income	149,360	191,913
Dividend income	151,931	127,317
Profit on sale of investments held for trading	--	214,522
Other investment income	579,295	271,923
	-----	-----
Total	12,761,984	10,931,974
	=====	=====

22. Other income:

	2004	2003
	QR.	QR.
Profit on sale of property, plant and equipment	50,083	137,884
Miscellaneous	3,218,310	2,865,454
Total	3,268,393	3,003,338

23. General and administrative expenses:

	2004	2003
	QR.	QR.
Staff related costs	36,564,350	29,395,608
Provision for bad and doubtful debts	9,559,683	2,442,301
Provision for slow moving inventories	5,036,036	1,629,352
Office rent	3,205,495	3,324,481
Repairs and maintenance	1,860,149	1,644,821
Travelling expenses	1,067,774	1,057,284
Communication expenses	1,396,056	1,204,098
Electricity and water	873,825	817,387
Tender fee	633,265	575,223
Insurance expenses	505,333	454,377
Legal and consultancy charges	497,480	475,187
Printing and stationery	499,969	483,951
Donation	257,337	272,198
Others	10,670,279	7,907,155
Total	72,627,031	51,683,423

24. General managers' profit share:

As per the policy of the Company, 10 % of the net profit for the year (before general managers' profit share) arising from each of the subsidiary company is paid to general managers of those subsidiaries.

25. 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:

	<u>2004</u>	<u>2003</u>
	<u>QR.</u>	<u>QR.</u>
Net profit for the year	31,402,831	23,724,500
	=====	=====
Weighted average number of shares	24,300,000	24,300,000
	=====	=====
Basic earnings per share	1.29	0.98
	=====	=====

26. Contingent liabilities:

	<u>2004</u>	<u>2003</u>
	<u>QR.</u>	<u>QR.</u>
Letters of Credit	29,954,722	28,937,515
	=====	=====
Letter of Guarantee	101,332,279	49,987,056
	=====	=====

27. Acquisition of Salam Tower:

During the year 2003, the Company acquired Salam Tower, which was previously managed and operated by Salam Holdings (W.L.L.) and was also previously owned by certain directors of the Company. By a power of attorney dated June 18, 2003, the previous owners of Salam Tower 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 have 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.

28. 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 5 and 12 respectively.

29. 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) area, mainly the United Arab Emirates. The transactions between segments are conducted at estimated market rates on an arm's length basis and are eliminated on consolidation. The following table shows the distribution of the Company's revenue, expenditure and certain asset and liability information:

	Qatar OR	GCC OR	Total OR	Qatar OR	GCC OR	Total OR
	----- 2004 -----			----- 2003 -----		
Operating income						
From external customers	321,848,325	85,251,422	407,099,747	204,259,914	64,133,246	268,393,160
Inter-segment	<u>26,943,663</u>	<u>4,126,113</u>	<u>31,069,776</u>	<u>8,104,684</u>	<u>3,908,446</u>	<u>12,013,130</u>
Total revenue	<u>348,791,988</u>	<u>89,377,535</u>	<u>438,169,523</u>	<u>212,364,598</u>	<u>68,041,692</u>	<u>280,406,290</u>
Results						
Segment results	<u>23,239,511</u>	<u>8,163,320</u>	<u>31,402,831</u>	<u>16,488,911</u>	<u>7,235,589</u>	<u>23,724,500</u>
Net profit			<u>31,402,831</u>			<u>23,724,500</u>
Assets and liabilities						
Segment assets	345,578,967	100,171,316	445,750,283	332,472,768	90,995,391	423,468,159
Unallocated assets			<u>23,592,611</u>			<u>24,967,704</u>
			<u>469,342,894</u>			<u>448,435,863</u>
Segment liabilities	<u>140,345,204</u>	<u>33,968,652</u>	<u>174,313,856</u>	<u>150,803,508</u>	<u>23,237,800</u>	<u>174,041,308</u>
Other segment information						
Capital expenditures:						
Tangible assets	10,051,651	2,794,430	12,846,081	8,205,495	1,948,211	10,153,706
Intangible assets	<u>708,000</u>	<u>355,246</u>	<u>1,063,246</u>	<u>4,846,931</u>	<u>--</u>	<u>4,846,931</u>
	<u>10,759,651</u>	<u>3,149,676</u>	<u>13,909,327</u>	<u>13,052,426</u>	<u>1,948,211</u>	<u>15,000,637</u>
Depreciation	<u>5,384,392</u>	<u>971,756</u>	<u>6,356,148</u>	<u>5,105,132</u>	<u>880,516</u>	<u>5,985,648</u>
Amortisation	<u>2,493,655</u>	<u>1,005,236</u>	<u>3,498,891</u>	<u>1,814,422</u>	<u>733,714</u>	<u>2,548,136</u>

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

30. Financial risk management:

Interest rate risk

The Company is exposed to interest rate risk on its interest bearing assets and liabilities i.e. 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. Credit evaluations are performed on all customers requiring credit and are approved by the Company's management.

The Company maintains a provision for doubtful accounts receivable; the estimation of such provision is reviewed periodically and established on a case to case basis.

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 Dirhams. 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 investments held for trading and available-for-sale. 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.

31. Fair value of financial instruments:

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties at arms length basis. Since the consolidated financial statements have been prepared under the historical cost convention, except for investments held for trading and available for sale which are remeasured at their fair value, the carrying value of the Company's financial instruments as recorded could, therefore, be different from the fair value. Except for investment properties classified as non current and certain of the available for sale investments mentioned in Note 10 and 7, the fair values of the financial assets and liabilities are not considered significantly different from their book values as most of these items are either short-term in nature or reprice frequently.

32. Comparative figures:

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