

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

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2005
TOGETHER WITH ACCOUNTANTS' REVIEW REPORT

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

JUNE 30, 2005

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QR. 31811

ACCOUNTANTS' REVIEW REPORT

To The Shareholders
Salam International Investment Limited (Q.S.C.)
Doha - Qatar

We have reviewed the accompanying interim consolidated balance sheet of **Salam International Investment Limited (Q.S.C.)** (the 'Company') as of June 30, 2005, and the related interim consolidated statements of income, changes in equity and cash flows for the six month period then ended. These interim condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review. The interim condensed consolidated financial statements include the assets, liabilities and results of operations of the subsidiaries which have been reviewed by other auditors who have issued their unqualified review report on the respective financial statements. These subsidiaries with a combined total assets of QR 375.7 million (December 31, 2004: QR 336.1 million), combined total liabilities of QR 170.8 million (December 31, 2004: QR 119.2 million) and a net profit of QR 17 million (for the six month period ended June 30, 2004: QR 13.1 million) are presented in the interim condensed consolidated financial statements.

We conducted our review in accordance with **International Standard on Auditing** applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

As further explained in Note 5 to the interim condensed consolidated financial statements, payments on projects, amounting to QR 10,429,743 represent amounts paid for a hotel and business center project located at 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 Palestinian Authority areas. We were unable to assess the possibility of recovering the amounts paid on the project and quantify the necessary provision against this amount.

Based on our review, except for the effects of such adjustments, if any, that might arise as a result of the matter mentioned above, and based on the reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with **International Accounting Standard-34, "Interim Financial Reporting."**

For **Deloitte & Touche**

**Doha - Qatar
July 26, 2005**

**Muhammad O. Bahemia
License No. 103.**

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

DOHA - QATAR

INTERIM CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2005

	Note	June 30, 2005 (Reviewed)	December 31, 2004 (Audited)
	-----	-----	-----
<u>ASSETS</u>		QR.	QR.
Current assets:			
Bank balances and cash		254,942,277	17,264,991
Accounts receivable and prepayments	3	153,494,369	131,261,763
Held-for-trading investments		3,703,128	1,833,000
Short term retentions receivable		16,365,144	14,373,962
Inventories		32,529,827	32,614,020
Excess of cost plus attributable profit over billings		10,357,826	13,302,413
		-----	-----
Total Current Assets		471,392,571	210,650,149
		-----	-----
Non-current assets:			
Available for sale investments		51,871,354	9,625,181
Long term retentions receivable		6,792,467	9,013,867
Payments on projects	4	10,429,743	10,411,901
Goodwill	5	107,965,129	107,965,129
Other intangible assets		4,653,959	4,938,900
Investment properties	6	88,349,005	89,236,680
Property, plant and equipment	7	36,020,111	27,501,087
		-----	-----
Total Non-Current Assets		306,081,768	258,692,745
		-----	-----
Total Assets		777,474,339	469,342,894
		=====	=====

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 BALANCE SHEET

AS AT JUNE 30, 2005

	Note	June 30, 2005 (Reviewed)	December 31, 2004 (Audited)
	-----	----- QR.	----- QR.
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Due to banks		39,148,056	27,364,031
Accounts payable and accruals		132,057,101	106,795,447
Short term project retentions payable		9,763,208	8,994,351
Current portion of term loan		3,855,551	3,855,551
Advances received from customers		12,693,923	4,771,818
		-----	-----
Total Current Liabilities		197,517,839	151,781,198
		-----	-----
Non-current liabilities:			
Long term retentions payable		2,032,647	2,299,535
Employees end of service benefits		2,827,641	2,307,776
Long term loan		15,997,573	17,925,347
		-----	-----
Total Non-Current Liabilities		20,857,861	22,532,658
		-----	-----
Capital and Reserves:			
Share capital		424,300,000	243,000,000
Legal reserve		88,795,074	7,968,831
Cumulative changes in fair values of investments		3,912,762	--
Retained earnings		33,962,182	12,841,061
Revaluation reserve		7,331,261	6,184,146
Proposed issue of bonus shares		--	24,300,000
Proposed directors' remuneration		--	735,000
		-----	-----
Equity Attributable to Equity Holders of the Parent		558,301,279	295,029,038
		-----	-----
Minority Interest		797,360	--
		-----	-----
Total Equity		559,098,639	295,029,038
		-----	-----
Total Liabilities and Equity		777,474,339	469,342,894
		=====	=====

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

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

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, 2005

	Note	June 30, 2005 (Reviewed) QR.	June 30, 2004 (Reviewed) QR.
	-----	-----	-----
Operating income	8	221,517,496	167,909,041
Operating cost	9	(170,658,366)	(126,590,913)
Operating Profit		50,859,130	41,318,128
Investment Income		12,812,252	7,524,974
Service income		6,229,792	1,815,048
Other income		3,687,102	2,018,805
General and administrative expenses		(43,569,825)	(32,056,461)
Depreciation on property, plant and equipment		(2,541,377)	(2,133,905)
Depreciation on investment properties		(887,675)	(892,058)
Amortization on intangible assets		(585,947)	(1,768,798)
Finance costs		(1,339,151)	(1,412,859)
Profit Before General Managers' profit Share		24,664,301	14,412,874
General Managers' Profit Share		(2,019,384)	(1,256,606)
Net Profit For The Period		22,644,917	13,156,268
		=====	=====
Attributable to :			
Equity holders of the parent		23,188,932	13,156,268
Minority interest holders		(544,015)	--
		=====	=====
		22,644,917	13,156,268
		=====	=====
Earnings Per Share			
Basic EPS as previously stated		--	0.54
		=====	=====
Basic EPS (restated for June 2004 for bonus and rights issue)		0.75	0.41
		=====	=====
Weighted average number of shares		30,874,902	28,486,847
		=====	=====

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 CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2005

	June 30, 2005 (Reviewed)	June 30, 2004 (Reviewed)
	----- QR.	----- QR.
<u>Cash Flows From Operating Activities:</u>		
Net profit for the period before minority interest	22,644,917	13,156,268
Adjustments for:		
Depreciation on property, plant and equipment	2,820,216	2,244,229
Depreciation on investment properties	887,675	892,058
Amortization of intangible assets	585,947	1,768,798
Finance costs	1,339,151	1,412,859
Interest income	(558,973)	(54,382)
Dividend income	(255,605)	(151,931)
(Gain) loss on revaluation of investments held-for-trading	(2,481,128)	57,360
Gain on sale of investments	(4,148,028)	(2,872,020)
Gain on sale of property, plant and equipment	(303,324)	(42,109)
Provision for employees end of service benefits	2,536,293	125,555
	-----	-----
	23,067,141	16,536,685
Accounts receivable and prepayments	(21,977,001)	17,196,345
Retentions receivable	230,218	3,761,363
Inventories	84,193	(1,196,267)
Excess of cost plus attributable profits over billings	2,944,587	--
Accounts payable and accruals	25,261,654	(3,050,699)
Excess of billings over cost plus attributable profit	--	2,708,640
Retentions payable	501,969	1,206,636
Advance received from customers	7,922,105	(8,655,726)
	-----	-----
Cash from Operating Activities	38,034,866	28,506,977
Finance cost paid	(1,339,151)	(1,412,859)
Employees end of service benefits paid	(2,016,428)	(166,412)
	-----	-----
Net Cash from Operating Activities	34,679,287	26,927,706

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

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

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2005

	June 30, 2005 (Reviewed)	June 30, 2004 (Reviewed)
	QR.	QR.
<u>Cash Flows From Investing Activities:</u>		
Purchase of property, plant and equipment	(18,874,751)	(4,331,761)
Proceeds from sale of property, plant and equipment	8,985,950	1,453,427
Increase in intangible assets	(301,006)	(1,207,149)
Net movement in investments	(33,578,905)	917,299
Increase in payments on projects	(17,842)	(17,734)
Dividends received	255,605	151,931
Interest received	558,973	54,382
	-----	-----
Net Cash used in Investing Activities	(42,971,976)	(2,979,605)
	-----	-----
<u>Cash Flows From Financing Activities:</u>		
Due to banks	11,784,025	7,459,443
Net movement in term loan	(1,927,775)	(1,927,775)
Proceeds from issue of right shares	235,507,350	--
Remuneration paid to the board of directors	(735,000)	(630,000)
Net movement in minority interest	1,341,375	--
Dividends paid	--	(17,010,000)
	-----	-----
Net cash from (used in) financing activities	245,969,975	(12,108,332)
	-----	-----
Increase in Bank Balances and Cash	237,677,286	11,839,769
Bank Balances and Cash – Beginning of the period	17,264,991	13,474,579
	-----	-----
Bank Balances and Cash - End of the period	254,942,277	25,314,348
	=====	=====

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2005

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 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 currently being 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.

2. Significant Accounting Policies:

In the current period, the Company has adopted all of the new and revised standards issued by the International Accounting Standards Board that are relevant to its operations and effective for accounting periods beginning on January 1, 2005. The adoption of these new and revised standards has not resulted in changes to the Company's accounting policies reported in the prior periods except for goodwill as disclosed in Note 5.

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 interim condensed consolidated financial statements except for goodwill are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2004.

These interim condensed consolidated financial statements incorporate the financial statements of the Company and each of its subsidiaries including the newly established subsidiary company, Qatari German Switchgears Company W.L.L., with an equity interest of 51%. These interim condensed consolidated financial statements should be read in conjunction with the 2004 annual consolidated financial statements and notes thereto.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

3. Accounts Receivable and Prepayments:

	June 30, 2005 (Reviewed)	December 31, 2004 (Audited)
	QR.	QR.
Trade accounts receivables	149,005,083	133,533,849
Notes receivables	9,021,781	7,712,051
Prepaid expenses	4,439,746	2,331,727
Due from related parties	2,478,186	583,174
Advance payments	1,070,227	338,787
Other receivables	9,923,588	8,861,576
	175,938,611	153,361,164
Provision for bad and doubtful debts	(22,444,242)	(22,099,401)
	153,494,369	131,261,763
Net	153,494,369	131,261,763

4. Payments on Projects:

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

Currently the project work has been 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.

5. Goodwill:

	June 30, 2005 (Reviewed)	December 31, 2004 (Audited)
	QR.	QR.
Purchased goodwill	115,497,576	115,497,576
Accumulated Amortization	--	(7,532,447)
Elimination of accumulated amortization against goodwill as of January 01, 2005	(7,532,447)	--
	107,965,129	107,965,129
Net	107,965,129	107,965,129

With the application of IFRS 3 – Business Combinations, amortization of goodwill has been discontinued from the January 1, 2005. Therefore no amortization has been charged against goodwill during the current period and the related accumulated amortization as at December 31, 2004 has been eliminated with a corresponding decrease in goodwill.

6. Investment Properties:

	June 30, 2005 (Reviewed)	December 31, 2004 (Audited)
	----- QR.	----- QR.
Opening balance	89,236,680	91,029,562
Less: Depreciation for the period/year	(887,675)	(1,792,882)
Net	88,349,005	89,236,680
	=====	=====

7. Property, Plant and Equipment:

	June 30, 2005 (Reviewed)	December 31, 2004 (Audited)
	----- QR.	----- QR.
Net book value – Opening balance	27,501,087	22,488,932
Additions	20,021,865	12,846,081
Deletions	(8,682,625)	(3,018,844)
Depreciation - charge for the period / year	(2,541,377)	(4,563,266)
- operating cost	(278,839)	(251,816)
Net book value – Closing balance	36,020,111	27,501,087
	=====	=====

8. Operating Income:

	June 30, 2005 (Reviewed)	June 30, 2004 (Reviewed)
	----- QR.	----- QR.
Contract income	126,030,997	102,215,347
Sale of goods	79,777,028	57,710,265
Service Income	15,709,471	7,983,429
Total	221,517,496	167,909,041
	=====	=====

9. Operating Cost:

	June 30, 2005 (Reviewed)	June 30, 2004 (Reviewed)
	----- QR.	----- QR.
Contract cost	100,537,794	80,125,478
Cost of sales	57,374,654	40,316,016
Service cost	12,745,918	6,149,419
Total	170,658,366 =====	126,590,913 =====

10. Right Issue of Shares:

The extraordinary general assembly in its meeting held on April 17, 2005 approved to increase the Company's authorized share capital to QR. 424,300,000 of QR 10 per share through distribution of bonus shares amounting to QR 24,300,000 and the issuance of 15,700,000 shares in a private placement to the existing shareholders of the Company at a unit price of QR 15 per share of which QR 5 relates to share premium. The premium of QR 5 per share was credited directly to legal reserve as per Article Number 192 of the Commercial Company Law No. 5 of 2002.

11. Contingent Liabilities:

	June 30, 2005 (Reviewed)	December 31, 2004 (Audited)
	----- QR.	----- QR.
Letters of Credit	38,094,198	29,954,722
Letter of Guarantee	103,987,489	101,332,279

12. Commitment:

The board of directors' in their meeting held on June 18, 2005 resolved to propose to the next shareholders general assembly to approve the acquisition of 100 % shares of Salam Group, a limited liability company registered in the State of Qatar. The terms of acquisition have not been finalized.

13. Comparative Figures:

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

14. 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:

	----- June 30, 2005 -----			----- June 30, 2004 -----		
	Oatar	GCC	Total	Oatar	GCC	Total
	QR.	QR.	QR.	QR	QR	QR.
Operating income						
From external customers	168,028,816	53,488,680	221,517,496	130,688,350	37,220,691	167,909,041
Inter-segment	<u>12,282,455</u>	<u>1,874,384</u>	<u>14,156,839</u>	<u>16,164,726</u>	<u>2,488,387</u>	<u>18,653,113</u>
Total revenue	<u>180,311,271</u>	<u>55,363,064</u>	<u>235,674,335</u>	<u>146,853,076</u>	<u>39,709,078</u>	<u>186,562,154</u>
Results						
Segment results	<u>15,409,824</u>	<u>7,779,108</u>	<u>23,188,932</u>	<u>9,571,632</u>	<u>3,584,636</u>	<u>13,156,268</u>
Net profit			<u>23,188,932</u>			<u>13,156,268</u>
Other segment information						
Capital expenditures:						
Tangible assets	119,540,271	4,828,845	124,369,116	109,954,340	3,348,310	113,302,650
Intangible assets	<u>79,699,100</u>	<u>32,919,988</u>	<u>112,619,088</u>	<u>81,167,998</u>	<u>33,610,027</u>	<u>114,778,025</u>
	<u>199,239,371</u>	<u>37,748,833</u>	<u>236,988,204</u>	<u>191,122,338</u>	<u>36,958,337</u>	<u>228,080,675</u>

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

DOHA - QATAR

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2005

	Share Capital	Legal Reserve	Cumulative Changes in Fair Value of Investments	Retained Earnings	Proposed cash Dividends	Proposed issue of bonus shares	Proposed Directors' Remuneration	Revaluation Reserve	Equity Attributable to Holders of Parent	Minority Interest	Total
	QR.	QR.	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	--	274,394,555
Net profit for the period	--	--	--	13,156,268	--	--	--	--	13,156,268	--	13,156,268
Transfer to legal reserve	--	1,315,627	--	(1,315,627)	--	--	--	--	--	--	--
Net movement in the cumulative changes in fair values of investments	--	--	(1,095,089)	--	--	--	--	--	(1,095,089)	--	(1,095,089)
Revaluation reserve released	--	--	--	323,300	--	--	--	(323,300)	--	--	--
Remuneration of board of directors paid	--	--	--	--	--	--	(630,000)	--	(630,000)	--	(630,000)
Dividend paid for 2003	--	--	--	--	(17,010,000)	--	--	--	(17,010,000)	--	(17,010,000)
Balance at June 30, 2004	243,000,000	6,144,175	(9,025,786)	21,141,265	--	--	--	7,556,080	268,815,734	--	268,815,734
Balance at January 1, 2005	243,000,000	7,968,831	--	12,841,061	--	24,300,000	735,000	6,184,146	295,029,038	--	295,029,038
Minority interest	--	--	--	--	--	--	--	--	--	1,341,375	1,341,375
Net profit for the period	--	--	--	23,188,932	--	--	--	--	23,188,932	(544,015)	22,644,917
Transfer to legal reserve	--	2,318,893	--	(2,318,893)	--	--	--	--	--	--	--
Net movement in the cumulative changes in fair values of investments	--	--	3,912,762	--	--	--	--	--	3,912,762	--	3,912,762
Revaluation reserve released	--	--	--	251,082	--	--	--	(251,082)	--	--	--
Revaluation reserve	--	--	--	--	--	--	--	1,398,197	1,398,197	--	1,398,197
Remuneration of board of directors paid	--	--	--	--	--	--	(735,000)	--	(735,000)	--	(735,000)
Bonus issue of shares	24,300,000	--	--	--	--	(24,300,000)	--	--	--	--	--
Right issue of shares (Note 10)	157,000,000	78,507,350	--	--	--	--	--	--	235,507,350	--	235,507,350
Balance at June 30, 2005	424,300,000	88,795,074	3,912,762	33,962,182	--	--	--	7,331,261	558,301,279	797,360	559,098,639

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