

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2005
TOGETHER WITH AUDITORS' REPORT

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

DECEMBER 31, 2005

TABLE OF CONTENTS

Auditors' Report	--
	<u>Page</u>
Consolidated Balance Sheet	1 - 2
Consolidated Statement of Income	3
Consolidated Statement of Changes in Equity	4 - 5
Consolidated Statement of Cash Flows	6 - 7
Notes to the Consolidated Financial Statements	8 - 31

QR. 31811

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, 2005 and the related consolidated statements of income, changes in 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. 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 648.2 million (2004: QR 336.1 million), total liabilities of QR 294.6 million (2004: QR 119.2 million) and a net profit of QR 45.7 million (2004: QR 35.7 million) are presented in the consolidated financial statements.

Except as discussed in the following paragraphs, 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 mentioned in Note 3 to the financial statements, the shareholders in their Extra Ordinary General Assembly Meeting on October 26, 2005 decided to acquire 100 per cent of the issued share capital of Salam Group W.L.L., Qatar, at a purchase consideration of QR 403,715,000 which was settled through issuance of 26,914,330 new shares of the Company and QR 50 payable in cash to the partners of Salam Group W.L.L. (the "acquiree"). The new shares were issued at QR 15 per share which included QR 5 per share as premium and the residual amount of QR 50 remains payable to the acquiree.

On October 30, 2005, the Ministry of Economy and Commerce approved the decisions taken by the shareholders in their Extra Ordinary General Assembly Meeting. However, as a result of complain by one of the shareholders regarding the evaluation procedures of Salam Group W.L.L., Qatar, it was agreed by the Ministry of Economy and Commerce and the Company to request the Civil Court to appoint one or more than one independent experts to verify the evaluation of Salam Group W.L.L., Qatar. The Civil Court has refused this request since this matter is not within their jurisdiction. On May 9, 2006 the Ministry of Economy and Commerce has approved the listing of the new shares resulting from the above acquisition transaction in Doha Securities Market. The Ministry has also approved for Salam International Investment Limited to hold its shareholders general assembly meeting and has asked the company to postpone absolving the chairman, vice chairman and the present directors of the board from their responsibilities. Further, the Ministry has imposed temporary restriction on the chairman, vice chairman, present directors of the board and the shareholders who have contributed for their shares in kind to trade in their shares until pending issues are resolved.

2. As further explained in Note 11 to the consolidated financial statements, payments on projects amounting to QR 10,518,467 (2004: QR. 10,411,901) represent amounts paid for the hotel and business centre 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 previous paragraph, 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, 2005 and the results of its operations, the changes in equity and cash flows for the year then ended in accordance with **International Financial Reporting Standards**.

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

For **Deloitte & Touche**

Doha – Qatar
May 11, 2006

Samer Hussein Jaghoub
License No. 88

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

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2005

<u>ASSETS</u>	Note	2005	2004
	-----	-----	-----
		QR.	QR.
Current assets:			
Bank balances and cash	5	172,205,733	17,264,991
Accounts receivable and prepayments	6	314,687,469	131,261,763
Held-for-trading investments		--	1,833,000
Retentions receivable		18,814,519	14,373,962
Inventories	7	134,816,171	32,614,020
Excess of cost plus attributable profit over billings		--	13,302,413
		-----	-----
Total Current Assets		640,523,892	210,650,149
		-----	-----
Non-current assets:			
Loan to an associate company	8	2,852,475	--
Available for sale investments	9	260,046,330	9,625,181
Investment in associate company	10	1,066,079	--
Retentions receivable		4,798,258	9,013,867
Payments on projects	11	10,518,467	10,411,901
Intangible assets	12	114,098,114	112,904,029
Investment and owner occupied properties	13	537,707,788	89,236,680
Property, plant and equipment	14	96,277,841	27,501,087
		-----	-----
Total Non-Current Assets		1,027,365,352	258,692,745
		-----	-----
Total Assets		1,667,889,244	469,342,894
		=====	=====

These consolidated financial statements were approved by the Board of Directors on May 11, 2006 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, 2005

	Note	2005	2004
	-----	-----	-----
		QR.	QR.
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Due to banks	5	93,815,638	27,364,031
Term loans	15	11,620,784	3,855,551
Accounts payable and accruals	16	243,402,289	106,795,447
Retentions payable		8,264,670	8,994,351
Advances received from customers		6,998,144	4,771,818
Excess of billings over cost plus attributable profit		22,986,870	--
		-----	-----
Total Current Liabilities		387,088,395	151,781,198
		-----	-----
Non-current liabilities:			
Term loans	15	26,608,288	17,925,347
Retentions payable		3,680,066	2,299,535
Provision for employees' end of service benefits	17	8,596,174	2,307,776
		-----	-----
Total Non-Current Liabilities		38,884,528	22,532,658
		-----	-----
Capital and reserves:			
Share capital	18	828,015,000	243,000,000
Legal reserve	19	295,958,378	7,968,831
Cumulative changes in fair values of investments		28,240,312	--
Retained earnings		14,915,008	12,841,061
Revaluation surplus	20	6,855,614	6,184,146
Proposed cash dividends	21	66,241,200	--
Proposed issue of bonus shares		--	24,300,000
Proposed directors' remuneration		1,100,000	735,000
		-----	-----
Equity Attributable to Equity Holders of the Parent		1,241,325,512	295,029,038
		-----	-----
Minority Interest		590,809	--
		-----	-----
Total Equity		1,241,916,321	295,029,038
		-----	-----
Total Liabilities and Equity		1,667,889,244	469,342,894
		=====	=====

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, 2005

	Note	2005	2004
	-----	-----	-----
		QR.	QR.
Revenue	22	567,551,065	407,099,747
Cost of sales	23	(430,031,267)	(300,122,042)
Gross Profit		137,519,798	106,977,705
Investment income	24	26,639,705	12,761,984
Service and consultancy income		12,228,396	6,007,195
Discount on acquisition	3	15,924,631	--
Other income	25	11,293,400	3,268,393
General and administrative expenses	26	(106,230,083)	(72,627,031)
Amortization of intangible assets	12	(1,404,124)	(3,498,891)
Depreciation of investment and owner occupied properties	13	(1,980,789)	(1,792,882)
Depreciation of property, plant and equipment	14	(7,767,853)	(4,563,266)
Impairment on available for sale investments	9	--	(8,314,963)
Finance costs		(6,189,061)	(2,594,077)
Profit Before General Managers' Profit Share		80,034,020	35,624,167
General Managers' bonus	27	(4,965,204)	(4,221,336)
Net Profit For The Year		75,068,816	31,402,831
Attributable to:			
Equity holders of the parent		76,320,465	31,402,831
Minority interest holders		(1,251,649)	--
		75,068,816	31,402,831
Earnings Per Share (EPS)			
Basic EPS as previously stated		--	1.29
Basic EPS (2004 restated for bonus and right issue)	28	1.10	0.73

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 EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Share Capital</u>	<u>Legal Reserve</u>	<u>Cumulative Changes in Fair Values of Investments</u>	<u>Retained Earnings</u>	<u>Revaluation Surplus</u>	<u>Proposed Cash Dividend</u>	<u>Proposed Issue of Bonus Shares</u>	<u>Proposed Directors' Remuneration</u>	<u>Equity Attributable to Holders of Parent</u>	<u>Minority Interest</u>	<u>Total</u>
	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	7,879,380	17,010,000	--	630,000	274,394,555	--	274,394,555
Directors' remuneration paid	--	--	--	--	--	--	--	(630,000)	(630,000)	--	(630,000)
Dividend paid for 2003	--	--	--	--	--	(17,010,000)	--	--	(17,010,000)	--	(17,010,000)
Net profit for the year	--	--	--	31,402,831	--	--	--	--	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	--	--	7,930,697	--	--	--	--	--	7,930,697	--	7,930,697
Revaluation surplus realized	--	--	--	636,189	(636,189)	--	--	--	--	--	--
Revaluation surplus reversed	--	--	--	--	(1,059,045)	--	--	--	(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	6,184,146	--	24,300,000	735,000	295,029,038	--	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 CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Share Capital</u>	<u>Legal Reserve</u>	<u>Cumulative Changes in Fair Values of Investments</u>	<u>Retained Earnings</u>	<u>Revaluation Surplus</u>	<u>Proposed Cash Dividend</u>	<u>Proposed Issue of Bonus Shares</u>	<u>Proposed Directors' Remuneration</u>	<u>Equity Attributable to Holders of Parent</u>	<u>Minority Interest</u>	<u>Total</u>
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Balance at January 1, 2005	243,000,000	7,968,831	--	12,841,061	6,184,146	--	24,300,000	735,000	295,029,038	--	295,029,038
Minority interest	--	--	--	--	--	--	--	--	--	1,842,458	1,842,458
Directors' remuneration paid	--	--	--	--	--	--	--	(735,000)	(735,000)	--	(735,000)
Dividend paid for 2004	--	--	--	--	--	--	--	--	--	--	--
Net profit for the year	--	--	--	76,320,465	--	--	--	--	76,320,465	(1,251,649)	75,068,816
Transfer to legal reserve	--	7,632,047	--	(7,632,047)	--	--	--	--	--	--	--
Net movement in the cumulative changes in fair values of investments	--	--	28,240,312	--	--	--	--	--	28,240,312	--	28,240,312
Revaluation surplus realized	--	--	--	726,729	(726,729)	--	--	--	--	--	--
Gain on revaluation of property, plant and equipments	--	--	--	--	1,398,197	--	--	--	1,398,197	--	1,398,197
Bonus share issued (Note 18)	24,300,000	--	--	--	--	--	(24,300,000)	--	--	--	--
Right issue of shares (Note 18)	560,715,000	280,357,500	--	--	--	--	--	--	841,072,500	--	841,072,500
Proposed directors' remuneration	--	--	--	(1,100,000)	--	--	--	1,100,000	--	--	--
Proposed dividend	--	--	--	(66,241,200)	--	66,241,200	--	--	--	--	--
Balance at December 31, 2005	828,015,000	295,958,378	28,240,312	14,915,008	6,855,614	66,241,200	--	1,100,000	1,241,325,512	590,809	1,241,916,321

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, 2005

	Note	2005	2004
	-----	-----	-----
		QR.	QR.
<u>Cash Flows From Operating Activities:</u>			
Net profit for the year		76,320,465	31,402,831
Adjustments for:			
Provision for doubtful debts		5,844,412	9,559,683
Provision for slow moving stocks		4,788,311	5,036,036
Gain on sale of investments		(7,489,908)	(2,872,020)
Gain (loss) on revaluation of investments held-for-trading		(2,512,004)	8,314,963
Amortization of intangible assets		1,404,124	3,498,891
Depreciation of investment and owner occupied properties		1,980,789	1,792,882
Depreciation of property, plant and equipment		8,385,416	4,815,082
Gain on sale of property, plant and equipment		(363,244)	(50,083)
Provision for employees' end of service benefits		2,627,828	885,006
Finance costs		6,189,061	2,594,077
Interest income		(3,621,496)	(149,360)
Dividend income		(356,805)	(151,931)
		-----	-----
		93,196,949	64,676,057
Accounts receivable and prepayments		(134,556,064)	(26,743,273)
Retentions receivable		(224,948)	(2,237,590)
Excess of cost plus attributable profit over billings		13,302,413	6,790,882
Inventories		(15,358,368)	(6,953,654)
Accounts payable and accruals		72,153,379	16,798,610
Excess of billings over cost plus attributable profit		22,986,870	(2,958,388)
Retentions payable		650,850	1,436,099
Advance received from customers		2,226,326	(10,654,390)
		-----	-----
Cash Generated from Operations		54,377,407	40,154,353
Finance cost paid		(6,189,061)	(2,594,077)
Employees end of service benefits paid		(1,199,999)	(459,293)
Remuneration paid to the board of directors		(735,000)	(630,000)
		-----	-----
Net Cash from Operating Activities		46,253,347	36,470,983
		-----	-----

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, 2005

	Note	2005	2004
	-----	-----	-----
		QR.	QR.
<u>Cash Flows From Investing Activities:</u>			
Purchase of property, plant and equipment		(46,702,575)	(11,507,321)
Proceeds from sale of property, plant and equipment		2,077,481	1,730,167
Increase in intangible assets		(1,450,889)	(1,063,246)
Net movement in investment and owner occupied properties		(83,717,665)	--
Net movement in investments		(210,345,925)	(320,150)
Net movement in investment in associate company		2,747,486	--
Net movement in loan to an associate		(2,852,475)	--
Increase in payments on projects		(106,566)	(36,216)
Dividends received		356,805	151,931
Interest received		3,029,746	149,360
Acquisition of subsidiary		(60,207,538)	--
		-----	-----
Net Cash used in Investing Activities		(397,172,115)	(10,895,475)
		-----	-----
<u>Cash Flows From Financing Activities:</u>			
Net movement in term loans		1,459,544	(3,855,551)
Increase in share capital		437,357,550	--
Minority interest contribution		590,809	--
Dividends paid		--	(17,010,000)
		-----	-----
Net cash from / (used in) financing activities		439,407,903	(20,865,551)
		-----	-----
Increase in Cash and Cash Equivalents		88,489,135	4,709,957
Cash and Cash Equivalents – Beginning of the year	5	(10,099,040)	(14,808,997)
		-----	-----
Cash and Cash Equivalents - End of the year	5	78,390,095	(10,099,040)
		=====	=====

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, 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 main 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.

2. Adoption of new and revised International Financial Reporting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2005. The adoption of IFRS 3: "Business Combinations" has resulted in changes to the Company's accounting policy of goodwill that has affected the amounts reported for the current year. The impact of this change in accounting policy is discussed in detail in the following paragraphs.

IFRS 3: Business Combinations

Goodwill

In accordance with the transitional rules of IFRS 3, the Company has applied the revised accounting policy for goodwill prospectively from January 1, 2005, to goodwill acquired in business combinations for which the agreement date was before March 31, 2004. Therefore, from January 1, 2005, the Company has discontinued amortising such goodwill and has tested the goodwill for impairment in accordance with IAS 36. At January 1, 2005, the carrying amount of amortisation accumulated before that date of QR 7,532,447 has been eliminated, with a corresponding decrease in goodwill.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2004 or prior periods.

Goodwill amortization in 2005 is Nil (2004: QR 2,510,817) to comply with IFRS 3.

3. Acquisition of a subsidiary:

The shareholders in their Extra Ordinary General Assembly Meeting on October 26, 2005 decided to acquire 100 per cent of the issued share capital of Salam Group W.L.L., Qatar, at a purchase consideration of QR 403,715,000 which was settled through issuance of 26,914,330 new shares of the Company and QR 50 payable in cash to the partners of Salam Group W.L.L. (the “acquiree”). The new shares were issued at QR 15 per share which included QR 5 per share as premium and the residual amount of QR 50 remains payable to the acquiree. Salam Group W.L.L. comprises of five limited liability companies registered in Qatar, Jordan and certain other GCC countries. These companies are registered under different legal arrangements at their respective places of incorporation. However, 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.

This transaction has been accounted for by the purchase method of accounting. The net assets at fair value acquired in the transaction, and the discount on acquisition arising, are as follows:

	Fair value
	QR
Net assets acquired	419,639,631
Discount on acquisition	(15,924,631)

Total consideration	403,715,000
	=====
Net cash outflow arising on acquisition	
- Cash and cash equivalents acquired	(60,207,538)
	=====

On October 30, 2005, the Ministry of Economy and Commerce approved the decisions taken by the shareholders in their Extra Ordinary General Assembly Meeting. However, as a result of complain by one of the shareholders regarding the evaluation procedures of Salam Group W.L.L., Qatar, it was agreed by the Ministry of Economy and Commerce and the Company to request the Civil Court to appoint one or more than one independent experts to verify the evaluation of Salam Group W.L.L., Qatar. The Civil Court has refused this request since this matter is not within their jurisdiction. On May 9, 2006 the Ministry of Economy and Commerce has approved the listing of the new shares resulting from the above acquisition transaction in Doha Securities Market. The Ministry has also approved for Salam International Investment Limited to hold its shareholders general assembly meeting and has asked the company to postpone absolving the chairman, vice chairman and the present directors of the board from their responsibilities. Further, the Ministry has imposed temporary restriction on the chairman, vice chairman, present directors of the board and the shareholders who have contributed for their shares in kind to trade in their shares until pending issues are resolved.

4. Significant Accounting Policies:

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost basis, modified to include the measurement at fair value of trading and available-for-sale investments and revaluation of certain property, plants and equipments. The principal accounting policies adopted are set out below.

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-company transactions, balances, income and expenses are eliminated on consolidation.

The consolidated financial statements incorporate the financial statements of the Company and all of its following wholly owned subsidiaries and Qatari German Switchgear Company in which the Company holds 51% of shares:

- 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
- Salam Media Cast (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 Media Cast, United Arab Emirates
- Salam Tower, Qatar
- Qatari German Switchgear Company W.L.L., Qatar
- Salam Group W.L.L., Qatar

Minority interest in the net assets of consolidated subsidiary is identified separately from the Company's equity therein. Minority interest consists of the amount of the interest at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the Company except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The consolidated financial statements have been presented in Qatari Riyals.

b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss as discount on acquisition.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

c) Investments in associate company

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognised.

d) Revenue recognition

Revenue is recognised to the extent 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 from investments is recognised when the shareholders' rights to receive payment have been established.

e) **Intangible assets**

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Licenses and development costs

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

f) **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	4-20 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.

g) **Financial instruments**

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

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.

Investments

The Company maintains two separate investment portfolios as follows:

Financial assets at fair value through profit or loss (Held for trading); and
Available-for-sale investments

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

- ***Financial assets at fair value through profit or loss (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.

- ***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.

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.

Accounts payables 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.

h) 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.

i) 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
Building in Doha	10 years
Salam Tower building	50 years
Salam Plaza building	4-20 years

j) 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.

k) 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.

l) Employees' end of service benefits

Employees' end of service benefits represent terminal gratuity and are provided for services rendered based on entitlements stipulated in the employees' contracts of employment and their length of service, subject to the completion of a minimum service period.

m) 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.

n) 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.

5. Cash and Cash Equivalents:

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

	2005	2004
	-----	-----
	QR.	QR.
Bank balances and cash	172,205,733	17,264,991
Due to banks	(93,815,638)	(27,364,031)
	-----	-----
Total	78,390,095	(10,099,040)
	=====	=====

6. Accounts Receivable and Prepayments:

	2005	2004
	----- QR.	----- QR.
Trade accounts receivables	298,179,480	133,533,849
Notes receivables	20,797,908	7,712,051
Prepaid expenses	9,504,070	2,331,727
Due from related parties	2,961,845	583,174
Advance payments	3,557,680	338,787
Other receivables and debit balances	7,461,398	8,861,576
	-----	-----
	342,462,381	153,361,164
Provision for doubtful debts	(27,774,912)	(22,099,401)
	-----	-----
Net	314,687,469	131,261,763
	=====	=====

7. Inventories:

	2005	2004
	----- QR.	----- QR.
Stock in hand	157,153,252	45,108,884
Goods in transit	3,046,093	1,328,759
Provision for slow moving inventories	(25,383,174)	(13,823,623)
	-----	-----
Net	134,816,171	32,614,020
	=====	=====

8. Loan to an Associate Company:

The above loan represents a non-interest bearing loan provided by Salam Group W.L.L to SAJ Emirates.

9. Available for Sale Investments:

	2005	2004
	----- QR.	----- QR.
Quoted		
Local	96,754,225	--
Foreign	33,083,960	4,176,172
	-----	-----
	129,838,185	4,176,172
Unquoted	130,208,145	5,449,009
	-----	-----
Total	260,046,330	9,625,181
	=====	=====

- (a) Unquoted investments 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, 2005 (QR 2,889,010).

- (b) Unquoted investments also include a 20% (QR 101,000,000) holding in the share capital of Salam Bunyan Real Estate, a company under incorporation in Qatar.
- (c) Quoted shares of Palestine Investment Bank include 10,000 shares which the Company has pledged against its membership of the Board of Directors.

10. Investment in Associate Company:

Salam Group W.L.L. – Qatar has entered into an agreement to invest in SAJ Emirates Trading L.L.C. which is established and registered under the laws of the United Arab Emirates.

The movement on the investment in associate company is as follows:

	2005

	QR.
Acquired on acquisition of subsidiary	3,813,565
Share of income from investment	2,592,077
Dividend received during the period	(2,487,088)
Reclassified as loan to an associate company	(2,852,475)

Net	1,066,079
	=====

11. 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 holds 49% of its capital. During the year 2000, all the shares of Ronald Brown Gaza Trade Centre were assigned in favour of the Company.

Details of the amounts paid on the projects are as follows:

	2005	2004
	-----	-----
	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 travelling expenses	828,015	778,085
Other project expenses	461,068	404,432
	-----	-----
Total	10,518,467	10,411,901
	=====	=====

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.

12. Intangible Assets:

	Note	2005	2004
		QR.	QR.
Goodwill	12 (a)	107,965,129	107,965,129
Development costs	12 (b)	6,132,985	4,938,900
Total		114,098,114	112,904,029

12 (a) Goodwill:

	2005
	QR.
Cost:	
At January 1, 2004	115,497,576
At January 1, 2005	115,497,576
Elimination of amortisation accumulated prior to the adoption of IFRS 3 (see note 2)	(7,532,447)
At December 31, 2005	107,965,129
Amortisation:	
At January 1, 2004	5,021,630
Amortisation for the year	2,510,817
At January 1, 2005	7,532,447
Elimination of amortisation accumulated prior to the adoption of IFRS 3 (see note 2)	(7,532,447)
At December 31, 2005	--
Carrying amount	
At December 31, 2005	107,965,129
At December 31, 2004	107,965,129

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The allocation of carrying amount of goodwill to the Company's CGU's (the subsidiary companies) is as follows:

	2005

	QR.
Alu Nasa Company W.L.L., Qatar	4,229,639
Gulf Industries for Refrigeration and Catering Company W.L.L., Qatar	1,270,814
International Trading & Contracting Company W.L.L., Qatar (I.T.C.)	4,845,446
Omnix Qatar Company W.L.L., Qatar	4,646,571
Qatar Gardens Company (A branch of I.T.C.), Qatar	4,741,192
Salam Industries W.L.L., Qatar	7,531,543
Salam Media Cast (W.L.L), Qatar	14,564,903
Salam Petroleum Services W.L.L., Qatar	12,937,048
Salam Technical Services W.L.L., Qatar	4,854,968
Stream Industrial and Engineering Company W.L.L., Qatar	15,178,083
Salam Enterprises (A branch of I.T.C.), Qatar	1,615,149
Atelier 21, UAE	10,711
Modern Decoration Company (Limited Liability Company), UAE	6,193,199
Middle East Marketing Company, United Arab Emirates	1,295,393
Salam Enterprises Company (Limited Liability Company), UAE	11,062,279
Salam Media Cast, UAE	12,988,191

	107,965,129
	=====

12 (b) Development costs:

These represent costs incurred in branding, strategizing and developing policies and procedures manuals. These intangible assets have finite useful lives, over which the assets are amortised. The amortization period for development costs incurred is five years after completion of the project.

	2005	2004
	-----	-----
Cost	QR.	QR.
At January 1	5,910,177	4,846,931
Arising on acquisition of subsidiary	1,192,800	--
Additions during the year	1,450,889	1,063,246
	-----	-----
At December 31	8,553,866	5,910,177
	-----	-----
Amortisation		
At January 1	971,277	--
Arising on acquisition of subsidiary	45,480	--
Amortisation during the year	1,404,124	971,277
	-----	-----
At December 31	2,420,881	971,277
	-----	-----
Carrying amount	6,132,985	4,938,900
	=====	=====

13. Investment and Owner Occupied Properties:

	Note	2005	2004
		QR.	QR.
Investment properties	13 (a)	457,049,575	89,236,680
Owner occupied properties	13 (b)	80,658,213	--
		537,707,788	89,236,680

13 (a) Investment properties:

	Land in Ramallah	Land and Building in Doha	Land and Building in Dubai	Salam Tower land and building	Land and building (Salam Group)	Total
	QR	QR	QR	QR	QR	QR
Cost						
At January 1, 2005	4,795,529	--	1,886,165	86,135,514	--	92,817,208
Additions	--	83,591,165	--	--	--	83,591,165
Arising on acquisition of a subsidiary	--	--	--	--	286,010,229	286,010,229
At December 31, 2005	4,795,529	83,591,165	1,886,165	86,135,514	286,010,229	462,418,602
Accumulated Depreciation						
At January 1, 2005	--	--	377,232	3,203,296	--	3,580,528
Depreciation charge for the year	--	--	188,616	1,599,883	--	1,788,499
At December 31, 2005	--	--	565,848	4,803,179	--	5,369,027
Carrying amount						
At December 31, 2005	4,795,529	83,591,165	1,320,317	81,332,335	286,010,229	457,049,575
At December 31, 2004	4,795,529	--	1,508,933	82,932,218	--	89,236,680

13 (b) Owner occupied properties:

	Land and building (Salam Group)

	QR
Cost	
At January 1, 2005	--
Arising on acquisition of a subsidiary	81,330,889
Additions	126,500
Transfer from CWIP	200,000

At December 31, 2005	81,657,389

Accumulated Depreciation	
At January 1, 2005	--
Arising on acquisition of a subsidiary	806,886
Depreciation charge for the year	192,290

At December 31, 2005	999,176

Carrying amount	
At December 31, 2005	80,658,213
	=====
At December 31, 2004	--
	=====

- (i) Land in Ramallah represents the value of a land acquired in Ramallah City for the construction of an international trade centre. 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 28, 2006 was QR 6,120,138.
- (ii) The fair value of the building in Dubai, based on the valuation carried out by an external valuer based in Dubai on February 19, 2006 was QR 6,500,000.
- (iii) The fair value of Salam Tower based on the valuation carried out by an external valuer based in Doha-Qatar on January 15, 2006 was QR 164,788,600.
- (iv) The Company acquired four pieces of land and two residential compounds in Doha, Qatar in December 2005. Since the acquisition date is considerably near the financial year-end, the carrying amount of these assets approximates their fair value.
- (v) The fair value of Salam Group W.L.L. properties was ascertained as the weighted average of two valuations carried out by independent external valuers based in Doha-Qatar on January 19, 2006 and February 14, 2006 amounting to QR 418,949,835. The carrying amount of the properties as at December 31, 2005 was QR 366,668,442, of which a portion amounting to QR 80,658,213 is occupied by Salam Group W.L.L.
- (vi) The Salam Plaza building amounting to QR 27.715 million has been pledged against loans and facilities from financial institutions.
- (vii) The Company earned rental income amounting to QR 11.417 million during the year ended December 31, 2005 from investment properties, which has been included in the consolidated statement of income. Direct operating expenses arising from these investment properties are insignificant.

14. Property, Plant and Equipment:

	Buildings	Leasehold Improvement	Furniture and fixtures	Motor vehicles	Equipment and tools	Capital work in progress	Total
	QR	QR	QR	QR	QR	QR	QR
Cost							
At January 1, 2005	10,834,977	6,636,238	10,063,490	9,456,782	16,652,792	4,432,496	58,076,775
Acquired on acquisition of subsidiary	--	15,987,503	58,296,594	2,697,375	21,613,330	5,184,435	103,779,237
Additions	485,250	540,088	7,053,383	4,253,036	9,481,370	24,889,448	46,702,575
Transfers	5,879,698	35,511	2,652,564	--	709,192	(9,476,965)	(200,000)
Revaluation increase	58,970	49,164	68,286	281,064	940,713	--	1,398,197
Disposals	(630,884)	(308,367)	(14,137,608)	(2,156,531)	(875,918)	(207,652)	(18,316,960)
Eliminated on revaluation	(176,904)	(146,827)	(287,278)	(1,228,266)	(2,874,402)	--	(4,713,677)
At December 31, 2005	16,451,107	22,793,310	63,709,431	13,303,460	45,647,077	24,821,762	186,726,147
Accumulated Depreciation							
At January 1, 2005	3,073,678	2,639,482	6,234,254	6,304,294	12,323,980	--	30,575,688
Acquired on acquisition of subsidiary	--	13,136,516	39,579,720	2,275,277	17,812,089	--	72,803,602
Depreciation charge for the year	992,766	1,005,431	2,255,871	1,465,108	2,666,240	--	8,385,416
Transfers	--	550,479	(612,779)	--	62,300	--	--
Eliminated on Disposals	(630,859)	(229,626)	(13,641,332)	(1,582,595)	(518,311)	--	(16,602,723)
Eliminated on revaluation	(176,904)	(146,827)	(287,278)	(1,228,266)	(2,874,402)	--	(4,713,677)
December 31, 2005	3,258,681	16,955,455	33,528,456	7,233,818	29,471,896	--	90,448,306
Carrying Amount							
At December 31, 2005	13,192,426	5,837,855	30,180,975	6,069,642	16,175,181	24,821,762	96,277,841
At December 31, 2004	7,761,299	3,996,756	3,829,236	3,152,488	4,328,812	4,432,496	27,501,087

- (a) Buildings costing QR 16,451,107 have been constructed on land leased from the Government of the State of Qatar.
- (b) Property, plant and equipment of International Trading & Contracting Co. (W.L.L.) whose book value was QR 1,285,403 were revalued at QR 2,683,600 as of June 30, 2005 (Refer Note 20).
- (c) The depreciation charge has been allocated as follows:

	2005	2004
	-----	-----
	QR.	QR.
Cost of sales	617,563	251,816
Depreciation	7,767,853	4,563,266
	-----	-----
Total	8,385,416	4,815,082
	=====	=====

15. Term Loans:

	2005	2004
	-----	-----
	QR.	QR.
Non current portion	26,608,288	17,925,347
Current portion	11,620,784	3,855,551
	-----	-----
Total	38,229,072	21,780,898
	=====	=====

The term loan in 2004 represents the real estate loan (Musawama) taken over as a result of the acquisition of Salam Tower. The entire loan was repaid by the Company in the current year. During the year the Company acquired Salam Group W.L.L. and accordingly took over its assets and liabilities including long-term loans of its subsidiaries. These loans and facilities obtained from financial institutions are secured by:

- The joint and several guarantees of the old partners of Salam Group W.L.L.;
- Official mortgage on Salam Plaza building up to QR 27.715 million;
- Corporate guarantee of the Company; and
- Mortgage over stock and receivables of certain Salam Group W.L.L. companies.

16. Accounts Payable and Accruals:

	2005	2004
	-----	-----
	QR.	QR.
Accounts payable	94,121,343	34,611,674
Customer advances	29,370,574	8,082,126
Due to related parties	17,593,369	3,940,169
Notes payable	2,692,327	1,419,982
Other payables and accruals	99,512,227	58,624,949
Dividend payable	112,449	116,547
	-----	-----
Total	243,402,289	106,795,447
	=====	=====

17. Employees' End of Service Benefits:

This represents provision for end of service benefits for the employees of the Company. Movement in the provision is as follows:

	2005	2004
	----- QR.	----- QR.
Opening balance	2,307,776	1,882,063
Addition during the year	2,627,828	885,006
Acquired on acquisition of a subsidiary	4,860,569	--
Paid during the year	(1,199,999)	(459,293)
	-----	-----
Net	8,596,174	2,307,776
	=====	=====

18. Share capital:

	2005	2004
	----- QR.	----- QR.
Authorised share capital 82,801,500 shares of QR 10 each	828,015,000	243,000,000
	=====	=====
Issued and paid up share capital 82,801,500 shares of QR 10 each	828,015,000	243,000,000
	=====	=====

The shareholders at the extraordinary general assembly held on April 17, 2005 approved to increase the Company's authorized share capital to QR 424,300,000 at 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 192 of the Qatar Commercial Companies' Law No. 5 of 2002.

The shareholders at the extraordinary general assembly held on October 26, 2005 approved to increase the Company's share capital to QR 828,015,000 at QR 10 per share through issuance of 26,914,330 shares in private placement to the shareholders of Salam Group W.L.L., and 13,457,170 shares in private placement to the existing shareholders of the Company excluding shareholders of Salam Group W.L.L. at a unit price of QR 15 per share of which 5 relates to share premium.

19. 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.

20. Revaluation Surplus:

The revaluation surplus represents revaluation of certain of the leasehold land and buildings included under property, plant and equipments of Salam Industries W.L.L. with effect from January 1, 2003, and certain of the property, plant and equipments of International Trading & Contracting Co. (W.L.L.) with effect from June 30, 2005 (Note 14). As a result of the latter revaluation, the net book value of certain property, plant and equipments of the subsidiary increased from QR 1,285,403 to QR 2,683,600. The revaluation was carried out by committee appointed by management of the subsidiary. The revaluation surplus is transferred to retained earnings when the revaluation surplus is realised. During the current year a revaluation surplus of QR 692,223 was realized and revaluation surplus was increased by QR 1,398,197 due to the revaluation of property, plant and equipments of International Trading & Contracting Co. (W.L.L.). Incremental depreciation of QR 34,506 on revalued carrying amounts of certain property, plant, and equipments was charged to revaluation surplus.

21. Proposed Dividend:

The Board of Directors in their meeting held on May 11, 2006 has proposed a cash dividend of 8% (2004: NIL) for the current financial year amounting to QR. 66,241,200 (2004: NIL) which is subject to the approval of the shareholders at the General Assembly.

22. Revenue:

	2005	2004
	-----	-----
	QR.	QR.
Contract income	312,886,933	260,296,841
Sale of goods	220,821,604	131,701,955
Service and other income	33,842,528	15,100,951
	-----	-----
Total	567,551,065	407,099,747
	=====	=====

23. Cost of Sales:

	2005	2004
	-----	-----
	QR.	QR.
Contract cost	247,899,649	195,664,625
Cost of sales	154,950,182	93,430,157
Service and other cost	27,181,436	11,027,260
	-----	-----
Total	430,031,267	300,122,042
	=====	=====

24. Investment Income:

	2005	2004
	QR.	QR.
Rental income from investment properties	11,417,093	9,009,378
Profit on sale of available for sale investments	7,692,396	2,872,020
Net gain from held for trading investments	2,309,516	--
Interest income	3,621,496	149,360
Income from investment in associate	631,524	--
Dividend income	356,805	151,931
Other investment income	610,875	579,295
Total	26,639,705	12,761,984

25. Other Income:

	2005	2004
	QR.	QR.
Profit on sale of property, plant and equipment	363,244	50,083
Gain on foreign currency exchange	2,001,895	325,001
Rent income from sub-lease arrangements	857,957	565,636
Excess provisions written back	1,429,771	620,579
Miscellaneous	6,640,533	1,707,094
Total	11,293,400	3,268,393

26. General and Administrative Expenses:

	2005	2004
	----- QR.	----- QR.
Staff related costs	58,641,443	38,582,246
Provision for bad and doubtful debts	5,844,412	9,559,683
Provision for slow moving inventories	4,788,311	5,036,036
Office, showroom and warehouse rent	7,191,508	3,205,495
Advertising	3,027,051	2,283,245
Marketing expenses	1,801,031	1,140,109
Repairs and maintenance	2,427,822	1,860,149
Travelling expenses	1,848,180	1,067,774
Communication expenses	1,770,386	1,396,056
Electricity and water	1,399,414	873,825
Business development expenses	886,122	293,295
Entertainment Expenses	616,079	389,955
Tender fee	845,173	633,265
Insurance expenses	841,704	505,333
Legal and consultancy charges	1,376,629	911,356
Printing and stationery	1,029,310	499,969
Consultancy Services	891,608	30,586
Meeting and conference expenses	867,801	79,481
Fuel Expenses	686,574	492,395
Subscription and catalogue	710,719	610,593
Transportation	355,679	203,175
Software, license and IT expenses	389,656	719,168
Donation	228,602	257,337
Store consumables and health & safety expenses	463,133	333,519
Others	7,301,736	1,662,986
Total	----- 106,230,083 =====	----- 72,627,031 =====

27. General Managers' Bonus:

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

28. Earnings per Share:

Basic earning 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:

	2005	2004
	-----	-----
	QR.	QR.
Net profit for the year attributable to equity holders of parent	76,320,465	31,402,831
	=====	=====
Adjusted weighted average number of shares	69,574,420	43,113,428
	=====	=====
Basic earnings per share	1.10	0.73
	=====	=====

29. Contingent Liabilities:

	2005	2004
	-----	-----
	QR.	QR.
Letters of Credit	85,904,707	29,954,722
	=====	=====
Letter of Guarantee	163,050,806	101,332,279
	=====	=====

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 6 and 15 respectively. During the year, the subsidiaries of the Company entered into the following trading transactions with related parties that are not members of the Group:

	2005	2004
	-----	-----
	QR.	QR.
Revenue	679,830	865,075
	=====	=====
Cost of sales	3,569,286	4,968,450
	=====	=====
Service and Commission Income	--	103,267
	=====	=====
Other Income	241,922	358,313
	=====	=====
Other expenses	68,526	5,259
	=====	=====

31. Compensation of Key Management Personnel:

The remuneration of key management staff during the year were as follows:

	2005	2004
	-----	-----
	QR.	QR.
Short-term benefits		
General Managers' profit share	4,965,204	4,221,336
Other short-term benefits	9,916,310	7,819,250
	-----	-----
Long-term benefits	14,881,514	12,040,586
	609,964	486,000
	-----	-----
Total	15,491,478	12,526,586
	=====	=====

32. Segmental Information:

The Company operates in the areas of communication, information technology industry, oil and gas services, contracting, real estate services and trade. For management purposes the Company is organised into three geographical segments; the domestic market in Qatar and the overseas market in Jordan and the 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:

	2005				2004			
	Qatar QR	GCC QR	Jordan QR	Total QR	Qatar QR	GCC QR	Jordan QR	Total QR
Operating income								
From external customers	422,307,936	144,188,321	1,054,808	567,551,065	321,848,325	85,251,422	--	407,099,747
Inter-segment	27,073,130	2,209,000	--	29,282,130	26,943,663	4,126,113	--	31,069,776
Total revenue	<u>449,381,066</u>	<u>146,397,321</u>	<u>1,054,808</u>	<u>596,833,195</u>	<u>348,791,988</u>	<u>89,377,535</u>	<u>--</u>	<u>438,169,523</u>
Results								
Segment results	<u>58,305,462</u>	<u>16,726,834</u>	<u>36,520</u>	<u>75,068,816</u>	<u>23,239,511</u>	<u>8,163,320</u>	<u>--</u>	<u>31,402,831</u>
Net profit				<u>75,068,816</u>				<u>31,402,831</u>
Assets and liabilities								
Segment assets	1,296,407,048	294,284,764	25,910,466	1,616,602,278	345,578,967	100,171,316	--	445,750,283
Unallocated assets				<u>51,286,966</u>				<u>23,592,611</u>
				<u>1,667,889,244</u>				<u>469,342,894</u>
Segment liabilities	<u>279,604,167</u>	<u>137,264,605</u>	<u>9,104,151</u>	<u>425,972,923</u>	<u>140,345,204</u>	<u>33,968,652</u>	<u>--</u>	<u>174,313,856</u>
Other segment information								
Capital expenditures:								
Tangible assets	122,701,890	6,759,017	1,065,899	130,526,806	10,051,651	2,794,430	--	12,846,081
Intangible assets	<u>1,207,185</u>	<u>243,704</u>	<u>--</u>	<u>1,450,889</u>	<u>708,000</u>	<u>355,246</u>	<u>--</u>	<u>1,063,246</u>
	<u>123,909,075</u>	<u>7,002,721</u>	<u>1,065,899</u>	<u>131,977,695</u>	<u>10,759,651</u>	<u>3,149,676</u>	<u>--</u>	<u>13,909,327</u>
Depreciation	<u>7,433,317</u>	<u>2,191,539</u>	<u>123,787</u>	<u>9,748,643</u>	<u>5,384,392</u>	<u>971,756</u>	<u>--</u>	<u>6,356,148</u>
Amortisation	<u>1,061,802</u>	<u>342,322</u>	<u>--</u>	<u>1,404,124</u>	<u>2,493,655</u>	<u>1,005,236</u>	<u>--</u>	<u>3,498,891</u>

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

33. 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. Management believes that the interest rate risk on its loans is minimal in the current business environment.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company's credit risk is primarily attributable to its trade receivables. 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.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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.

34. Accounting Estimates and Judgements:

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for doubtful debts

The Company's management determines the estimated amount of provision for doubtful debts on a quarterly basis after considering the collectability of those debts. This provision is subject to change as a result of dishonoured or repaid debts.

Provision for slow moving inventories

The Company's management determines the estimated amount of slow moving inventories. This estimate is based on the age of items in inventories. This provision is subject to change as a result of technical innovations and the usage of items.

Payments on projects

The Company's management believes that the amounts paid on projects as disclosed in note 11 are recoverable and do not warrant any provision for impairment.

35. 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 13 and 9, 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.

36. Comparative Figures:

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