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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

Deloitte.

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

DECEMBER 31, 2007

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INDEPENDENT AUDITOR'S REPORT

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

Report on financial statements

We have audited the accompanying consolidated financial statements of **Salam International Investment Limited (Q.S.C.)** (the "Company") which comprise the consolidated balance sheet as at December 31, 2007, consolidated income statement, consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

The consolidated financial statements include the assets, liabilities and results of operations of the subsidiaries which have been audited by other auditors who issued their unqualified audit reports on the respective financial statements. These audit reports were furnished to us, and our opinion in so far as it relates to the amounts included for these subsidiaries, is based solely on the reports of other auditors. These subsidiaries with a combined total assets of QR 846.8 million (December 31, 2006: QR 682.5 million), combined total liabilities of QR 569.7 million (December 31, 2006: QR 390.1 million) and net profits of QR 53.2 million (December 31, 2006: QR 77.6 million) are presented in these consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the over all presentation of the financial statements.

We believe that the audit evidence we have are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and based on the reports of other auditors, the accompanying consolidated financial statements give a true and fair view of the financial position of **Salam International Investment Limited (Q.S.C.),** as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

Furthermore, in our opinion the consolidated financial statements provide the information required by the Qatar Commercial Law No (5) of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of accounts were maintained by the Company and the financial information included in the annual report of the board of directors is in agreement with the Company's financial statements. To the best of our knowledge and belief and according to information given to us, no contravention of the above mentioned law or the Company's Articles of Association were committed during the year which might have materially affected the Company's financial position of the Company or its financial performance.

For Deloitte & Touche

Doha – Qatar
February 10, 2008

Samer Hussein Jaghoub
License No. 88

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

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2007

	Note	2007	2006
ASSETS		**QR.**	**QR.**
Current Assets:			
Bank balances and cash	5	54,272,331	76,393,380
Trade and other receivables	6	279,660,269	276,941,561
Due from related parties	7a	8,973,693	9,017,779
Retention receivables	10	30,621,427	22,531,668
Inventories	8	291,051,295	185,412,884
Excess of revenues over billings		116,435,528	70,478,467
Other assets	9	64,466,078	40,711,519
Total Current Assets		**845,480,621**	**681,487,258**
Non-Current Assets:			
Available for sale investments	11	158,073,587	174,612,972
Loan to associate company		3,278,217	2,852,475
Investments in associates	13	192,682,147	103,669,237
Retention receivables	10	18,891,938	14,896,427
Intangible assets	15	115,305,020	117,043,757
Investment properties	16	678,903,591	632,030,681
Property, plant and equipment	17	343,424,942	244,373,988
Other assets	9	12,214,820	7,998,816
Total Non-Current Assets		**1,522,774,262**	**1,297,478,353**
Total Assets		**2,368,254,883**	**1,978,965,611**

These consolidated financial statements were approved by the Board of Directors on February 10, 2008 and signed on its 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, 2007

	Note	2007	2006
		QR.	QR.
LIABILITIES AND EQUITY			
Current Liabilities:			
Borrowings	18	202,163,978	133,540,186
Post-dated cheques payable		51,643,446	45,968,276
Trade and other payables		192,345,726	136,170,494
Retention payables	10	9,952,652	14,563,976
Advances from customers		16,564,184	16,447,620
Excess of billings over revenues		24,687,654	36,436,249
Due to related parties	7 b	8,368,668	4,260,463
Other liabilities	19	224,478,324	161,213,541
Total Current Liabilities		**730,204,632**	**548,600,805**
Non-Current Liabilities:			
Borrowings	18	217,444,861	52,590,265
Retention payables	10	11,899,951	2,775,272
Employees' end of service benefits	20	15,812,723	11,923,743
Post-dated cheques payable		3,659,391	40,249,030
Other liabilities		45,465,758	42,690,853
Total Non-Current Liabilities		**294,282,684**	**150,229,163**
Capital and Reserves:			
Issued capital	21	828,015,000	828,015,000
Legal reserve	22	321,869,137	309,015,572
Investments revaluation reserve		20,457,490	3,674,705
Retained earnings		60,850,071	48,631,374
Property revaluation reserve	23	5,019,080	6,052,492
Proposed cash dividends	24	--	82,801,500
Proposed issue of bonus shares	24	103,501,875	--
Equity Attributable to Equity Holders of the Parent		**1,339,712,653**	**1,278,190,643**
Minority Interest	25	**4,054,914**	**1,945,000**
Total Equity		**1,343,767,567**	**1,280,135,643**
Total Liabilities and Equity		**2,368,254,883**	**1,978,965,611**

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

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007	2006
		QR.	QR.
Revenue	26	1,352,287,299	1,158,211,208
Cost of revenue	27	(998,005,292)	(836,869,081)
Gross Profit		**354,282,007**	**321,342,127**
Investment revenue	28	74,955,985	68,164,245
Other operating revenue		4,606,185	5,565,470
Service and consultancy revenue		7,299,201	9,934,104
Other income	29	16,538,208	13,409,966
		457,681,586	**418,415,912**
Salaries and related benefits		(149,063,727)	(119,548,490)
General and administrative expenses	30	(110,952,521)	(96,813,710)
Amortization of intangible assets	15 b	(2,952,393)	(2,812,464)
Depreciation of investment properties	16	(2,818,040)	(2,331,607)
Depreciation of property, plant and equipment	17	(27,620,372)	(22,054,021)
Impairment on investments		(5,194,188)	(15,042,552)
Finance costs		(19,348,430)	(10,078,042)
Provision for impairment of project	14	--	(10,603,492)
Profit Before General Managers' Profit Share and Directors Remuneration		**139,731,915**	**139,131,534**
Executives and general managers' bonus	32	(8,446,266)	(9,364,798)
Proposed directors' remuneration	2.3	(2,750,000)	(1,800,000)
Profit For The Year		**128,535,649**	**127,966,736**
Attributable to:			
Equity holders of the parent		127,540,725	128,771,938
Minority interest		994,924	(805,202)
		128,535,649	**127,966,736**
Earnings Per Share (EPS)			
Basic and Diluted EPS	33	**1.54**	**1.56**

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, 2007

	Issued Capital	Legal Reserve	Investments Revaluation Reserve	Retained Earnings	Property Revaluation Reserve	Proposed Cash Dividend	Equity Attributable to Holders of Parent	Minority Interest	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Balance at January 1, 2006	**828,015,000**	**295,958,378**	**28,240,312**	**14,915,008**	**6,855,614**	**66,241,200**	**1,240,225,512**	**590,809**	**1,240,816,321**
Minority interest	--	--	--	--	--	--	--	2,159,393	**2,159,393**
Dividend paid for 2005	--	--	--	--	--	(66,241,200)	**(66,241,200)**	--	**(66,241,200)**
Net profit for the year	--	--	--	128,771,938	--	--	**128,771,938**	(805,202)	**127,966,736**
Transfer to legal reserve	--	13,057,194	--	(13,057,194)	--	--	--	--	--
Net fair value adjustments	--	--	(39,608,159)	--	--	--	**(39,608,159)**	--	**(39,608,159)**
Impairment of available for sale investments transferred to income statement	--	--	15,042,552	--	--	--	**15,042,552**	--	**15,042,552**
Revaluation reserve realized	--	--	--	803,122	(803,122)	--	--	--	--
Proposed dividend	--	--	--	(82,801,500)	--	82,801,500	--	--	--
Balance at December 31, 2006	**828,015,000**	**309,015,572**	**3,674,705**	**48,631,374**	**6,052,492**	**82,801,500**	**1,278,190,643**	**1,945,000**	**1,280,135,643**

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, 2007

	Issued Capital	Legal Reserve	Investments Revaluation Reserve	Retained Earnings	Property Revaluation Reserve	Proposed Cash Dividends / Issue of Bonus Shares	Equity Attributable to Holders of Parent	Minority Interest	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Balance at January 1, 2007	**828,015,000**	**309,015,572**	**3,674,705**	**48,631,374**	**6,052,492**	**82,801,500**	**1,278,190,643**	**1,945,000**	**1,280,135,643**
Minority interest	--	--	--	--	--	--	--	1,114,990	**1,114,990**
Dividend paid for 2006	--	--	--	--	--	(82,801,500)	**(82,801,500)**	--	**(82,801,500)**
Net profit for the year	--	--	--	127,540,725	--	--	**127,540,725**	994,924	**128,535,649**
Transfer to legal reserve	--	12,853,565	--	(12,853,565)	--	--	--	--	--
Net fair value adjustments	--	--	5,198,672	--	--	--	**5,198,672**	--	**5,198,672**
Impairment of available for sale investments transferred to income statement	--	--	4,170,988	--	--	--	**4,170,988**	--	**4,170,988**
Transfer to income statement on disposal of available for sale investments	--	--	7,413,125	--	--	--	**7,413,125**	--	**7,413,125**
Revaluation reserve realized	--	--	--	1,033,412	(1,033,412)	--	--	--	--
Proposed issue of bonus shares	--	--	--	(103,501,875)	--	103,501,875	--	--	--
Balance at December 31, 2007	**828,015,000**	**321,869,137**	**20,457,490**	**60,850,071**	**5,019,080**	**103,501,875**	**1,339,712,653**	**4,054,914**	**1,343,767,567**

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

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

CONSOLIDATED CASH FLOWS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007	2006
		QR.	QR.
Cash Flows From Operating Activities:			
Profit for the year		128,535,649	127,966,736
Adjustments for:			
Share of income from investment		(14,174,235)	(4,822,621)
Provision for doubtful debts	30	6,834,435	10,902,780
Provision for slow moving stocks	30	9,427,636	9,233,417
Impairment on available for sale investments		4,170,988	15,042,552
Impairment on other investments		1,023,200	
Provision for payments on projects		--	10,603,492
Loss / (Gain) on sale of investments properties		66,878	(37,637,730)
Amortization of intangible assets		2,952,393	2,812,464
Depreciation on investment properties	16	2,818,040	2,331,607
Depreciation of property, plant and equipment	17	29,441,413	23,060,764
(Gain) / Loss on sale of property, plant and equipment		(296,726)	260,017
Employees' end of service benefits		5,960,421	4,220,952
Loan to an associate		425,743	
Finance costs		19,348,430	10,078,042
Interest income		(1,467,247)	(2,660,961)
Dividend income		(4,371,966)	(2,161,437)
Gain on Sale of available for sale investments		(12,428,435)	--
		178,266,617	**169,230,074**
Trade receivables and other assets		(37,523,706)	(24,727,052)
Due from related parties		3,411,967	(6,055,934)
Retention receivables		(12,085,270)	(13,815,318)
Excess of revenue over billings		(45,957,061)	(41,143,212)
Inventories		(115,066,047)	(59,830,130)
Trade payables and other liabilities		122,214,920	115,158,295
Due to related parties		4,108,205	(13,332,906)
Excess of billings over cost plus attributable profit		(11,748,595)	(15,885,875)
Retention payables		4,513,355	5,394,512
Advance received from customers		116,564	9,449,476
Cash Generated from Operations		**90,250,949**	**124,441,930**
Finance cost paid		(19,348,430)	(10,078,042)
Employees end of service benefits paid		(2,071,441)	(893,383)
Net Cash from Operating Activities		**68,831,078**	**113,470,505**

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

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

CONSOLIDATED CASH FLOWS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007	2006
		QR.	QR.
Cash Flows From Investing Activities:			
Payments for property, plant and equipment		(135,414,711)	(116,802,126)
Proceeds from sale of property, plant and equipment		7,219,070	26,043,413
Proceeds from sale of investments properties		15,688,520	38,910,893
Proceeds from sale of investments		64,747,097	--
Payments for intangible assets		(1,213,656)	(5,758,107)
Payment for investment properties		(65,446,348)	(178,585,876)
Payment for available for sale investments		(26,535,360)	(53,894,843)
Net movement in investment in associate companies		(80,752,462)	(1,705,159)
Loan to an associate		(425,743)	--
Payments on projects		--	(85,025)
Dividends received from available for sale investments		4,371,966	2,161,437
Dividends received from associates		4,464,844	4,242,663
Interest received		1,467,247	2,660,961
Net Cash Used in Investing Activities		**(211,829,536)**	**(282,811,769)**
Cash Flows From Financing Activities:			
Net movement in borrowings		186,558,355	42,952,258
Post-dated cheques payable		(30,914,469)	83,524,978
Net movement in minority interest		1,114,990	2,159,392
Dividends paid		(82,801,500)	(66,241,200)
Net Cash From Financing Activities		**73,957,376**	**62,395,428**
Decrease in Cash and Cash Equivalents		**(69,041,082)**	**(106,945,836)**
Cash and Cash Equivalents – Beginning of the year	5	(28,555,741)	78,390,095
Cash and Cash Equivalents - End of the year	5	**(97,596,823)**	**(28,555,741)**

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, 2007

1. Status and Activities:

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

The major activities of the Company are to establish, incorporate, acquire, and own enterprises in the commercial, industrial, educational, tourist, real estate, financial and service sectors to practice the respective activities on commercial and investment basis.

2. Adoption of new and revised International Financial Reporting Standards:

2.1 Standards and Interpretations Effective in the Current Year:

In the current year, the Company has adopted *IFRS 7 Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after January 1, 2007, and the consequential amendment to *IAS 1 Presentation of Financial Statements.*

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and management of capital.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*; *IFRIC 8 Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment.* The adoption of these Interpretations has not led to changes in the Company's accounting policies.

2.2 Standard and Interpretations in Issue Not Yet Adopted:

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

Amendments to standards

IAS 23 (Revised) *Borrowing Costs* (effective for accounting periods beginning on or after January 1, 2009);

IAS 1 *Presentation of Financial Statement – Comprehensive revision including requiring a statement of comprehensive income* (effective for accounting periods beginning on or after January 1, 2009);

New standards

IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after January 1, 2009);

New interpretation

IFRIC 11 IFRS 2: *Group and Treasury Share Transactions* (effective March 1, 2007);

IFRIC 12 *Service Concession Arrangements* (effective January 1, 2008);

IFRIC 13 *Customer Loyalty Programs* (effective for accounting periods beginning on or after July 1, 2008)

IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction* (effective January 1, 2008).

Management anticipates that all of the above Standards and Interpretations will be adopted in the Company's financial statements for the period commencing January 1, 2008 and that the adoption of those Interpretations and Standards will have no material impact on the financial statements of the Company.

IFRS 8 is a disclosure Standard which will result in a redesignation of the Company's reportable segments, but will not impact the reported results or financial position of the Company.

2.3 Changes in Accounting Policies:

Effective this year, the Company changed its accounting policy with regard to the treatment of the Board of Directors remuneration. Previously, the remunerations were shown as an appropriation. This year, the remunerations have been expensed and prior year numbers were reclassified accordingly.

3. Significant Accounting Policies:

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost convention except for the revaluation at fair value of available-for-sale investments and certain property, plant and equipments. The principal accounting policies adopted are set out below.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Company.

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

Minority interest in the net assets of consolidated subsidiaries 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.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as 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. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

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.

Investments in Associates

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.

Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Construction contracts revenue

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured as the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost / revalued amount 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	10-20 years
Equipments, machinery and tools	5-7 years
Furniture and fixture	5-7 years
Motor vehicles	5 years
Computer software and hardware	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 of an asset may not be recoverable. If any such indication exists and where the carrying value of an asset exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

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

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

Available-for-sale

After initial recognition, investments classified as available-for-sale are remeasured at fair value. Gains 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 income statement for the year.

Fair values

For available for sale investments, which are traded in organised financial markets, fair value is determined by reference to the quoted market price at the close of the business on balance sheet date. For investments which are listed in an 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.

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 available for sale investments 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. 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 repriced frequently.

Cash and cash equivalents

For the purpose of the consolidated cash flows statement, 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.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available for sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale investments, any increase in fair value of equities subsequent to an impairment loss is recognised directly in equity.

Investment Properties

Investment properties, which constitute land and building held to earn rentals and/or for capital appreciation are stated at cost in the balance sheet less accumulated depreciation and impairment losses.

Investment properties, other than land, are depreciated on a straight-line basis over their estimated useful lives as follows:

• Buildings in Doha and Dubai	10 – 50 years
• Salam Tower	50 years
• Salam Plaza	10 – 20 years

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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Contracts in Progress

Contracts in progress are 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.

Employees' End of Service Benefits

The Company provides for employees' end of service benefits determined in accordance with the Company's internal policies and the local labor laws based on the employees' salaries and the number of years of service as at the balance sheet date. Applicable benefits are paid to employees on termination of employment. As of the balance sheet date, the Company has no expectation of settling its employees' end of service benefits obligation in the coming year and has classified this as a non-current liability.

Under Law No. 24 of 2002 on Retirement and Pension, the Company only makes contributions to a government pension scheme for Qatari employees, calculated on percentage basis of their respective salaries. These contributions are prepared on an accrual basis and expensed in the year of incurrence.

Foreign Currencies

The consolidated financial statements have been presented in Qatari Riyals.

Transactions in foreign currencies are recorded at the rate of exchange ruling at the 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 income statement.

Provisions

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

4. Acquisition of a Subsidiary:

On October 26, 2005, the Company acquired 100 per cent of the issued share capital of Salam Group W.L.L., 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. The residual amount of QR 50 remains payable to the acquiree.

Salam Group W.L.L. comprises of five limited liability companies (Salam Group Companies) registered in Qatar, Jordan and certain other GCC countries. The Salam Group Companies are registered under different legal arrangements at their respective places of incorporation. However, Salam Group W.L.L. has taken all legal procedures necessary to secure its rights in all Salam Group Companies as the partners and shareholders of Salam Group Companies have signed irrevocable affidavits that Salam Group W.L.L., Qatar fully owns these companies.

Salam Group W.L.L. operates in diversified activities mainly retailing of consumer products, photographic equipment, fashion wear, perfumery, advertising and design and rental of real estate.

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:

	October 26, 2005
	QR.
Net assets acquired	419,639,631
Acquisition discounts	(15,924,631)
Total consideration	**403,715,000**
Net cash outflow arising on acquisition	
Cash and cash equivalents acquired	**(60,207,538)**

A complaint was filed by one of the shareholders regarding the evaluation procedures of Salam Group W.L.L. Accordingly it was agreed by the Ministry of Economy and Commerce and the Company to request the Civil Court to appoint one or more independent experts to verify the evaluation of Salam Group W.L.L. The civil court appointed the said experts.

On May 9, 2006 the Ministry of Economy and Commerce approved the listing of the new shares resulting from the above acquisition on the Doha Securities Market. The Ministry approved for Salam International Investment Limited to hold its shareholders' General Assembly Meeting for December 31, 2005 but asked the company to postpone absolving the chairman, vice chairman and the previous directors of the board from their responsibilities. Further, the Ministry also imposed temporary restriction on the chairman, vice chairman and directors of the previous board and the shareholders who have contributed for their shares in kind to trade in their shares until pending issues are resolved. The shareholders held their annual General Assembly Meeting on June 11, 2006 and approved unanimously the financial statements and all items on the agenda.

On December 9, 2007 the Ministry of Economy and Commerce approved for Salam International Investment Limited to hold its shareholders' General Assembly Meeting to absolve the 2005 Board members from their responsibilities and to remove the temporary restriction on the previous Board members and the shareholders who have contributed their shares in kind to trade in their shares. The ministry also approved the withdrawal of the request submitted to the Civil Court to appoint one or more independent experts to verify the evaluation of Salam Group W.L.L. The Company however decided not to withdraw the request, and the report was eventually submitted to the court on December 27, 2007.

The shareholders held their General Assembly Meeting with regards to the above on January 22, 2008 and approved in majority all items on the agenda.

5. Cash and Cash Equivalents:

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at banks, net of bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	2007	2006
	QR.	QR.
Bank balances and cash	54,272,331	76,393,380
Bank overdrafts (note 18)	(151,869,154)	(104,949,121)
Net	**(97,596,823)**	**(28,555,741)**

6. Trade and Other Receivables:

	2007	2006
	QR.	QR.
Trade receivables	304,396,952	296,262,726
Provision for doubtful debts	(38,753,736)	(33,116,417)
Net Trade Receivables	**265,643,216**	**263,146,309**
Post dated cheques receivables	14,017,053	13,795,252
Total	**279,660,269**	**276,941,561**

Ageing of trade receivables:

			Past Due Not Impaired				Past Due Impaired
	Total	Not due	Up to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Beyond 121 days
Trade Receivables December 31, 2007	**304,396,952**	205,792,059	14,944,623	9,810,883	7,068,780	4,185,174	62,595,433
Trade Receivables December 31, 2006	**296,262,726**	229,052,601	8,267,890	12,224,992	7,976,653	2,250,799	36,489,791

Movement of provision for doubtful debts:

	2007	2006
	QR.	QR.
Opening Balance	33,116,417	27,774,912
Additions	6,834,435	10,902,780
Written off	(1,197,116)	(5,561,275)
Ending Balance	**38,753,736**	**33,116,417**

7. a) Due from Related Parties:

	2007	2006
	QR.	QR.
Bin Oman Trading	2,952,595	4,954,362
Salam Holdings	2,749,867	2,291,421
Salam Bounian Development Company	1,924,498	938,536
Electro Kavier Company, Iran	1,083,927	660,923
Louy Mohammad Darwish	--	65,655
Riyadh George	--	106,882
Salam Interconsult	187,218	--
Voltamp Manufacturing, Qatar	7,087	--
C-Nergy Middle East	68,501	--
Total	**8,973,693**	**9,017,779**

7. b) Due to Related Parties:

	2007	2006
	QR.	QR.
Omnix International	6,071,891	3,871,802
Omani Holdings International	41,032	138,661
Sasse Facility Management	--	250,000
RBG UK	2,252,895	--
Gulf Facility Management	2,850	--
Total	**8,368,668**	**4,260,463**

8. Inventories:

	2007	2006
	QR.	QR.
Finished goods and raw materials	326,203,737	212,187,586
Goods in transit	2,986,398	3,327,823
	329,190,135	215,515,409
Provision for slow moving items	(38,138,840)	(30,102,525)
Net	**291,051,295**	**185,412,884**

Provision for slow moving items is determined based on the age, movability and management's historical experience with respect to various items of inventories.

9. Other Assets:

	Current		Non Current	
	2007	2006	2007	2006
	QR.	QR.	QR.	QR.
Prepayments	25,361,324	15,715,335	12,214,820	7,998,816
Advance payments	11,822,172	9,080,015	--	--
Other receivables and debit balances	20,528,172	14,288,933	--	--
Accrued income	6,754,410	1,627,236	--	--
Total	**64,466,078**	**40,711,519**	**12,214,820**	**7,998,816**

10. Retentions:

Retention Receivables

Retention receivable represents amounts withheld from the Company's issued invoices as maintenance guarantees by the Company's clients. A portion of the retention is released at the completion date of the contract and the remaining portion is released 365 to 490 days afterwards. The amounts held are usually 5 – 10% of each invoice.

Retention Payables

Retention payable represents amounts withheld from invoices received by the Company as maintenance guarantees from its sub-contractors. A portion of the retention is paid at the completion date of the contract and the remaining portion is paid after 365 to 490 days. The amounts held are usually 5 – 10% of each invoice.

11. Available for Sale Investments:

	2007	2006
	QR.	QR.
Quoted		
Local	57,331,732	73,775,267
Foreign (a)	39,197,583	48,113,717
	96,529,315	121,888,984
Unquoted (b)	61,544,272	52,723,988
Total	**158,073,587**	**174,612,972**

(a) Quoted shares of Palestine Investment Bank include 10,000 shares pledged against its membership of the Board of Directors.

(b) During the current year, the Company invested QR. 9.1 million in a company registered in the UAE.

12. Subsidiaries:

Details of the Company's subsidiaries at December 31, 2007 are as follows:

Name of Company	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %	Principal Activity
Qatari Companies:				
Salam Media Cast	Qatar	100	100	Broad Cast / Media Services
Salam Technical Services	Qatar	100	100	Office Equipment Trading
Stream Industrial & Engineering	Qatar	100	100	Mechanical Services
Qatari German Switchgear Co.	Qatar	51	51	Switchgear Manufacturing
Omnix, Qatar	Qatar	100	100	Information Technology
Salam Petroleum Services	Qatar	100	100	Oil / Gas Trading
Salam RBG	Qatar	51	51	Oil / Gas Services
Gulf Steel & Engineering	Qatar	100	100	Steel Works
International Trading & Contracting Co.	Qatar	100	100	Civil Contracting
Salam Enterprises - Qatar	Qatar	100	100	Furniture Trading
Qatar Gardens	Qatar	100	100	Landscape
Salam Tower	Qatar	100	100	Property Rental
Salam Industries	Qatar	100	100	Furniture / Decoration
Alu Nasa – Qatar	Qatar	100	100	Aluminum Works
Gulf Industries	Qatar	100	100	Kitchen Equipment
UAE Companies:				
Salam Enterprises **(i)**	UAE	100	100	Trading in Construction/Water Equipment
Atelier 21 **(ii)**	UAE	100	100	Interior Design
Middle East Marketing **(iii)**	UAE	100	100	Toys Trading
Modern Decoration Co. **(i)**	UAE	100	100	Furniture Manufacturing
Salam Media Cast **(iv)**	UAE	100	100	Broad Cast / Media Services
Debeers (Branch of Salam Studio & Stores – UAE)	UAE	100	100	Diamond Jewellery
Alu Nasa **(i)**	UAE	100	100	Aluminum Works

Salam Group of Companies:

Salam Studio & Stores – Doha	Qatar	100	100	Retail and Wholesale Trade
Salam Studio & Stores - Dubai (i)	UAE	100	100	Retail and Wholesale Trade
Salam Studio & Stores – Muscat (v)	Oman	100	100	Retail Trade
Salam Arabia Trading Establishment	Kuwait	100	100	General Trading
Salam Trading Enterprises	Jordan	100	100	Office Equipment Trading
Adabisc	Qatar	60	60	Advertising Services

(i) 51% of the capital of these companies is commercially registered under the name of UAE nationals.

(ii) Atelier 21 L.L.C. is commercially registered in the UAE in the name of one of the directors.

(iii) Middle East Marketing is a partnership entity registered in UAE in the names of two of the directors.

(iv) Salam Media Cast L.L.C. is commercially registered in the UAE in the name of one of the directors.

(v) 30% of the capital of this company is commercially registered under the name of an Omani national.

The Company has taken all legal procedures necessary to secure its right in all these companies as the partners and shareholders to those companies have signed irrevocable affidavits that Salam International Investment Limited (Q.S.C.) fully owns those companies.

During the year, the Company sold its 51% interest in Gulf Facility Management Company W.L.L. to one of its associate companies.

13. Investment in Associates:

Details of the Company's associates are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Ownership interest 2007 %	Ownership interest 2006 %
- SAJ Emirates Trading L.L.C. **(i)**	Retail (clothes, perfumes, etc.)	United Arab Emirates	43	43
- Salam Bounian Development Company **(ii)**	Real Estate	Qatar	32.97	20
- Design House **(iii)**	Fashion Design	Qatar	66.3	66.3
- Voltamp Manufacturing	Transformers Manufacturing	Qatar	34	--

(i) In 2002, Salam Group W.L.L. 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.

(ii) The Company increased its share in Salam Bounian Development Company from 20% (QR. 101,000,000) in 2006 to 32.97% (QR. 187,349,771) in 2007. The increase was approved by the majority of shareholders during their ordinary general assembly meeting held on October 21, 2007.

(iii) The Company has 66.3% (QR. 995,000) shareholding in Design House, which is under liquidation. Full provision has been taken regarding the Company's share in 2007. The investment was booked under investment in associates as the Company did not exert dominant control and the associate was managed by other partners.

The movements in investments in associates are as follows:

	2007	2006
	QR.	QR.
At January 1,	103,669,237	102,066,079
Acquired	80,752,462	1,023,200
Share of income from investment	14,174,235	4,822,621
Dividend received during the period	(4,464,844)	(4,242,663)
Reclassified as loan to an associate company	(425,743)	--
Provision for impairment of investment	(1,023,200)	--
At December 31,	**192,682,147**	**103,669,237**

14. 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 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% share of capital. During 2000, all the shares of Ronald Brown Gaza Trade Centre were assigned in favour of the Company.

Details of the accumulated amounts paid on the project are as follows:

	2007	2006
	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	828,015
Other project expenses	546,093	546,093
Total	**10,603,492**	**10,603,492**
Provision for impairment of project	(10,603,492)	(10,603,492)
Net	--	--

After a careful assessment of the political situation in the area, the Company decided in 2006 to eliminate the risks allocated with this investment and has therefore taken a full provision for impairment against the investment.

15. Intangible Assets:

	Note	2007	2006
		QR.	QR.
Goodwill	15 (a)	107,965,129	107,965,129
Development costs	15 (b)	7,339,891	9,078,628
Total		**115,305,020**	**117,043,757**

15 (a) Goodwill:

	2007	2006
	QR.	QR.
Cost:		
At January 1,	107,965,129	107,965,129
At December 31,	**107,965,129**	**107,965,129**
Carrying amount		
At January 1,	107,965,129	107,965,129
At December 31,	**107,965,129**	**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 the carrying amounts of goodwill to the Company's CGU's (the subsidiary companies) are as follows:

	2007	2006
	QR.	QR.
Alu Nasa Company W.L.L., Qatar	4,229,639	4,229,639
Gulf Industries for Refrigeration and Catering Company W.L.L., Qatar	1,270,814	1,270,814
International Trading & Contracting Company W.L.L., Qatar (I.T.C.)	4,845,446	4,845,446
Qatar Gardens Company (a branch of I.T.C.), Qatar	4,646,571	4,646,571
Omnix Qatar Company W.L.L., Qatar	4,741,192	4,741,192
Salam Industries W.L.L., Qatar	7,531,543	7,531,543
Salam Media Cast W.L.L, Qatar	14,564,903	14,564,903
Salam Petroleum Services W.L.L., Qatar	12,937,048	12,937,048
Salam Technical Services W.L.L., Qatar	4,854,968	4,854,968
Stream Industrial and Engineering Company W.L.L., Qatar	15,178,083	15,178,083
Salam Enterprises (a branch of I.T.C.), Qatar	1,615,149	1,615,149
Atelier 21 L.L.C., UAE	10,711	10,711
Modern Decoration Company L.L.C., UAE	6,193,199	6,193,199
Middle East Marketing Company L.L.C., UAE	1,295,393	1,295,393
Salam Enterprises Company L.L.C, UAE	11,062,279	11,062,279
Salam Media Cast L.L.C., UAE	12,988,191	12,988,191
Total	**107,965,129**	**107,965,129**

15 (b) Development Costs:

These represent costs incurred for branding and developing of policies and procedures manuals. The costs are amortized over five years, being their expected useful lives.

	2007	2006
	QR.	QR.
Cost		
At January 1	14,324,977	8,566,870
Additions during the year	1,213,656	5,758,107
At December 31	**15,538,633**	**14,324,977**
Amortization		
At January 1	5,246,349	2,433,885
Amortization during the year	2,952,393	2,812,464
At December 31	**8,198,742**	**5,246,349**
Carrying amount	**7,339,891**	**9,078,628**

16. Investment Properties:

	Land in Ramallah	Land and Building in Dubai	Lands and Buildings in Doha			Total
			Salam Tower	Salam Plaza	Others	
	QR.	QR.	QR.	QR.	QR.	QR.
Cost						
Balance - January 1, 2006	4,795,529	1,886,165	86,135,514	286,010,229	83,591,165	462,418,602
Additions	--	3,760,793	--	--	174,825,083	178,585,876
Disposals	--	(1,886,165)	--	--	--	(1,886,165)
Balance - January 1, 2007	4,795,529	3,760,793	86,135,514	286,010,229	258,416,248	639,118,313
Additions	--	57,752,077	--	37,250	7,657,020	65,446,347
Disposals	--	--	--	(8,866)	(15,750,077)	(15,758,943)
Balance - December 31, 2007	**4,795,529**	**61,512,870**	**86,135,514**	**286,038,613**	**250,323,191**	**688,805,717**
Accumulated Depreciation						
Balance - January 1, 2006	--	565,848	4,803,179	--	--	5,369,027
Depreciation charge for the year	--	47,154	1,599,883	684,570	--	2,331,607
Disposals	--	(613,002)	--	--	--	(613,002)
Balance – January 1, 2007	--	--	6,403,062	684,570	--	7,087,632
Depreciation charge for the year	--	668,172	1,599,883	549,985	--	2,818,040
Disposals	--	--	--	(3,546)	--	(3,546)
Balance - December 31, 2007	--	**668,172**	**8,002,945**	**1,231,009**	--	**9,902,126**
Carrying Amount						
At December 31, 2007	**4,795,529**	**60,844,698**	**78,132,569**	**284,807,604**	**250,323,191**	**678,903,591**
At December 31, 2006	**4,795,529**	**3,760,793**	**79,732,452**	**285,325,659**	**258,416,248**	**632,030,681**
	(i)	(ii)	(iii)	(iv)	(v)	

(i) This land was acquired in Ramallah City for the purpose of constructing an international trade centre. Until the date of these consolidated financial statements, this project has not commenced. The fair value of the land based on a valuation carried out by an external valuer based in Ramallah, Palestine on January 14, 2008 was QR. 10,179,668 (2006: QR.7,303,923).

(ii) The fair value of the piece of land in Dubai, UAE based on valuation carried out by an external valuer based in Dubai, UAE on January 02, 2008 was QR. 6,367,337 (2006: QR.4,378,560).

During the year, the Company acquired two buildings in Dubai, UAE. Their combined fair value is QR. 65,346,534.

(iii) The fair value of Salam Tower based on valuation carried out by an external valuer based in Doha - Qatar on January 12, 2008 was QR. 355,772,000 (2006: QR. 248,064,000).

(iv) The fair value of Salam Group W.L.L. properties were ascertained by a valuation carried out by an independent external valuer based in Doha - Qatar on January 07, 2008 to be QR. 652,511,000 (2006: QR. 505,696,000). The carrying amount of the properties as at December 31, 2007 was QR. 371,299,067 (2006: QR. 372,794,401), out of which QR. 86,491,464 (2006:QR. 87,468,742) are owner occupied and classified under property, plant and equipments. The title deeds of the lands are registered in the name of the parent company (Salam International Investment Limited).

The Company entered into a lease agreement with Salam Bounian Development Company (an associate). According to this agreement, a plot of land is leased to Salam Bounian Development Company, who in turn will develop the land and construct "The Gate" project on land. The lease is for 25 years renewable subject to new conditions to be agreed later.

The Board of Directors agreed on June 17, 2007 to mortgage the land and the properties to secure in part the obligation of Salam Bounian Development Company under the Musharaka agreement between Salam Bounian Development Company and Salam Bounian Sukuk Limited (the issuer of Sukuk). The land and properties will be mortgaged in favor of the financing banks according to the Musharaka agreement. The Company will have a second degree mortgage in its favor on the project.

(v) Included in additions for the year is an amount of QR. 7.6 million related to finance cost capitalized.

The fair value of the four pieces of land and two residential compounds in Doha, Qatar based on valuation carried out by an external valuer based in Doha – Qatar on January 12, 2008 was QR. 496,568,000 (2006: QR. 312,940,077).

The fair value for acquiring the four pieces of land is QR. 197,673,066. For present value calculation, refer to note 31.

The Company has sold a piece of land to a financial institution resulting in a loss of QR. 66,878.

(vi) The Company earned rental income of QR. 42.086 million from investment properties during the year ended December 31, 2007 (QR. 20.881 million for the year ended December 31, 2006). These rentals are included in the consolidated income statement. Direct operating expenses arising from these investment properties were insignificant.

17. Property, Plant and Equipment:

	Buildings	Land and Building	Leasehold Improvement	Furniture and Fixtures	Motor Vehicles	Equipment and Tools	Capital Work in Progress	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Cost:								
Balance - January 1, 2006	**16,451,107**	**81,657,389**	**22,793,310**	**63,709,431**	**13,303,460**	**45,647,077**	**24,821,762**	**268,383,536**
Additions	475,097	429,396	3,878,987	5,466,944	5,513,631	9,235,000	91,803,071	116,802,126
Transfers	5,706,722	7,877,980	85,276	15,407,284	--	316,790	(29,394,052)	--
Disposals	(53,052)	(136,062)	(1,346,903)	(4,027,823)	(1,240,109)	(9,916,167)	(23,663,627)	(40,383,743)
Balance - January 1, 2007	22,579,874	89,828,703	25,410,670	80,555,836	17,576,982	45,282,700	63,567,154	344,801,919
Additions	163,300	230,650	8,303,577	9,650,244	6,969,362	15,085,919	91,817,880	132,220,932
Transfers	(32,500)	195,871	4,068,175	5,849,275	--	2,810,403	(12,891,224)	--
Disposals	(128,962)	(319,877)	(757,500)	(4,309,791)	(1,355,633)	(2,760,910)	(1,240,616)	(10,873,289)
Balance – December 31, 2007	**22,581,712**	**89,935,347**	**37,024,922**	**91,745,564**	**23,190,711**	**60,418,112**	**141,253,194**	**466,149,562**
Accumulated Depreciation:								
Balance – January 1, 2006	**3,258,681**	**999,176**	**16,955,455**	**33,528,456**	**7,233,818**	**29,471,896**	--	**91,447,482**
Charge for the year	1,964,321	1,361,753	2,285,353	9,156,003	2,512,404	5,780,930	--	23,060,764
Transfers	52,771	--	--	(72,376)	--	19,605	--	--
Disposals	(45,749)	(968)	(1,069,845)	(2,732,143)	(980,929)	(9,250,681)	--	(14,080,315)
Balance - January 1, 2007	**5,230,024**	**2,359,961**	**18,170,963**	**39,879,940**	**8,765,293**	**26,021,750**	--	**100,427,931**
Charge for the year	1,948,156	1,380,014	3,069,632	11,542,227	3,194,261	8,307,123	--	29,441,413
Disposals	(128,958)	(296,091)	(466,673)	(2,808,059)	(1,093,567)	(2,351,376)	--	(7,144,724)
Balance – December 31, 2007	**7,049,222**	**3,443,884**	**20,773,922**	**48,614,108**	**10,865,987**	**31,977,497**	--	**122,724,620**

17. Property, Plant and Equipment (continued):

Carrying Amount:								
At December 31, 2007	**15,532,490**	**86,491,463**	**16,251,000**	**43,131,456**	**12,324,724**	**28,440,615**	**141,253,194**	**343,424,942**
At December 31, 2006	**17,349,850**	**87,468,742**	**7,239,707**	**40,675,896**	**8,811,689**	**19,260,950**	**63,567,154**	**244,373,988**
	(iii)	(i)					(ii)	

(i) - Salam Plaza Building and Land will be mortgaged in favor of the financing banks according to the Musharaka agreement.
- Refer to Note 16 (iv)

(ii) Included in capital work in progress interest capitalized amounting to QR. 2,903,343 (December 31, 2006 : QR 291,157)

(iii) Buildings costing QR 22,581,712 have been constructed on land leased from the State of Qatar Government.

(iv) Management is of the opinion that the recoverable amounts of the properties, plant and equipment are higher than their carrying amounts.

17. Property, Plant and Equipment (continued):

The depreciation charge has been allocated as follows:

	2007	2006
	QR.	QR.
Cost of reveue	1,821,041	1,006,743
Depreciation	27,620,372	22,054,021
Total	**29,441,413**	**23,060,764**

18. Borrowings:

	Current		Non-current	
	2007	2006	2007	2006
	QR.	QR.	QR.	QR.
Bank overdrafts	151,869,154	104,949,121	--	--
Bank loans	50,294,824	28,591,065	217,444,861	52,590,265
Total	**202,163,978**	**133,540,186**	**217,444,861**	**52,590,265**

Bank loans are detailed as follows:

	Effective Interest Rate %	*Maturity*	*2007*	*2006*
			QR.	*QR.*
Loan 1 (i)	LIBOR + 2.00%	December 6, 2012	57,079,233	31,555,878
Loan 2 (iii)	LIBOR + 1.75%	September 20, 2013	33,998,597	--
Loan 3 (v)	LIBOR + 1.50%	February 25, 2013	48,286,290	--
Loan 4 (iv)	LIBOR + 1.25%	November 20, 2011	47,593,134	--
Loan 5	QCBRR +1.50%	September 30, 2013	2,500,000	--
Loan 6 (vi)	EIBOR + 2.50%	April 30, 2012	49,504,950	--
Loan 7 (ii)	QCBRR +2.00%	June 30, 2014	18,974,703	--
Loan 8	QCBRR +2.00%	Settled	--	17,993,619
Loan 9	Flat 4.90%	October 31, 2010	805,266	1,122,492
Loan 10	Flat 4.90%	December 31, 2011	1,822,580	1,012,321
Loan 11	9.00%	Settled	--	3,888,475
Loan 12	8.75%	Settled	--	19,255,440
Loan 13	9.50%	August 31, 2010	909,379	--
Loan 14	7.00%	November 12, 2009	395,008	601,099
Loan 15	Flat 3.75%	Settled	--	41,820
Loan 16	LIBOR + 2%	June 30, 2009	720,950	3,691,246
Loan 17	6%	October 31, 2011	4,352,720	--
Loan 18	JCB+2.00%	January 16, 2009	796,875	2,018,940
Total			**267,739,685**	**81,181,330**
Presented in the balance sheet as follows:				
Current portion			50,294,824	28,591,065
Non-current portion			217,444,861	52,590,265
Total			**267,739,685**	**81,181,330**

Borrowings include the following:

(i) A loan of USD 17.850 million (equivalent to QR. 65 million) was granted by end of 2006 for financing a construction project in Dubai, UAE. The tenor of the loan is 6 years including a one year grace period. Quarterly installments of USD 892,500 (equivalent to QR. 3.250 million) and a final installment will be paid by December 2012. As of year end, interest of QR. 3.190 million is capitalized. Interest capitalization will continue until the project is ready for use.

(ii) A loan of QR. 20 million was granted for financing the working capital of one of the subsidiaries against corporate guarantee of the Company. Monthly installments of QR. 308,500 and a final installment will be paid by June 2014.

(iii) A loan of USD 9.335 million (equivalent to QR. 34 million) was granted in March 2007 for acquiring two properties in Dubai, UAE. Quarterly installments of USD390,000 (equivalent to QR. 1.420 million) and a final installment will be paid by September 2013.

(iv) A loan of USD 13 million (equivalent to QR. 47 million) was granted in May 2007 for financing new business developments. Quarterly installments of USD 812,500 (equivalent to QR. 2.958 million) and a final installment will be paid by November 2011.

(v) A loan of USD 13.260 million (equivalent to QR. 48 million) was granted in January 2007 for financing working capital of some subsidiaries. The tenor of the loan is 6 years including a one year grace period. Semi-annual installments of USD 1.326 million (equivalent to QR. 4.828 million) and a final installment will be paid by February 2013.

(vi) A loan of AED 50 million (equivalent to QR. 49.500 million) was granted in March 2007 for financing the expansion of one of the subsidiary's premises in UAE. Monthly installments of AED 1.042 million (equivalent to QR. 1.031 million) and a final installment will be paid by April 2012.

(vii) A loan of QR. 11 million was granted in October 2007 for financing construction and building of one of the subsidiaries. Monthly installments of QR. 184,000 and a final installment will be paid by September 2013. This facility is available for utilization until April 2008.

Facilities obtained from financial institutions are secured by:

- Official ownership documents of two properties in Dubai, UAE are pledged with the bank;
- Corporate guarantee of the Company;
- Corporate guarantee of some of the subsidiaries; and
- Mortgage over stock and receivables of certain Salam Group W.L.L. companies.

19. Other Liabilities:

	2007	2006
	QR.	QR.
Customer advances	63,912,112	27,471,947
Provision for suppliers dues	42,523,374	43,126,231
Provision for completed jobs	33,084,873	21,673,101
Dividend payable	4,315,669	2,659,560
Other payables and accruals	80,642,296	66,282,702
Total	**224,478,324**	**161,213,541**

20. 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:

	2007	2006
	QR.	QR.
Opening balance	11,923,743	8,596,174
Net additions during the year	5,960,421	4,220,952
Paid during the year	(2,071,441)	(893,383)
Net	**15,812,723**	**11,923,743**

21. Share Capital:

	2007	2006
	QR.	QR.
Authorised issued and fully paid up share capital 82,801,500 shares of QR. 10 each	**828,015,000**	**828,015,000**

22. 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 and premium on share issuance by the Company are 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.

23. Properties Revaluation Reserve:

	2007	2006
	QR.	QR.
Balance at beginning of year	6,052,492	6,855,614
Transferred to retained earnings	(1,033,412)	(803,122)
Balance at end of year	**5,019,080**	**6,052,492**

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realized, is transferred directly to retained profits.

24. Proposed Dividends:

In their meeting held on February 10, 2008, the Board of Directors proposed an issue of bonus shares of 12.5% as dividends for the current financial year amounting to QR. 103,501,875 (2006: cash dividends of 10% amounting QR. 82,801,500), which is subject to the approval of the shareholders at the General Assembly. The dividends for 2006 were approved by the shareholders at the Annual General Assembly Meeting on March 20, 2007 and were paid during 2007.

25. Minority Interest:

	2007	2006
	QR.	QR.
Balance at beginning of year	1,945,000	590,809
Capital contribution	554,788	2,159,393
Disposal of investment	(245,000)	--
Share of profit for the year	994,924	(805,202)
Net loss of 2006 absorbed in the current year	805,202	--
Balance at end of year	**4,054,914**	**1,945,000**

26. Revenue:

	2007	2006
	QR.	QR.
Contract income	741,029,920	641,076,200
Sale of goods	590,650,789	488,039,074
Service and other income	20,606,590	29,095,934
Total	**1,352,287,299**	**1,158,211,208**

27. Cost of Sales:

	2007	2006
	QR.	QR.
Contract cost	601,161,127	498,715,185
Cost of sales	381,965,148	323,102,835
Service and other cost	14,879,017	15,051,061
Total	**998,005,292**	**836,869,081**

28. Investment Revenue:

	2007	2006
	QR.	QR.
Rental income from investment properties	42,086,253	20,881,496
Profit on sale of available for sale investments	12,428,435	--
(Loss) / Gain on sale of investment properties	(66,878)	37,637,730
Interest income	1,467,247	2,660,961
Income from investment in associates	14,174,235	4,822,621
Income from sale of a subsidiary	494,727	--
Dividend income	4,371,966	2,161,437
Total	**74,955,985**	**68,164,245**

Investment revenue earned on financial assets, analyzed by category of asset, is as follows:

	2007	2006
	QR.	QR.
Available-for-sale financial assets	16,800,401	2,161,437
Loans and receivables (including cash and bank balances)	1,467,247	2,660,961
Income from sale of a subsidiary	494,727	--
	18,762,375	4,822,398
Investment income earned on non-financial assets	56,193,610	63,341,847
Total	**74,955,985**	**68,164,245**

29. Other Income:

	2007	2006
	QR.	QR.
Profit / (Loss) on sale of property, plant and equipment	296,726	(263,548)
Loss on foreign currency exchange	(315,584)	(90,064)
Rent income from sub-lease arrangements	2,032,697	1,745,222
Miscellaneous	14,524,369	12,018,356
Total	**16,538,208**	**13,409,966**

30. General and Administrative Expenses:

	2007	2006
	QR.	QR.
Provision for bad and doubtful debts	6,834,435	10,902,780
Provision for slow moving inventories	9,427,636	9,233,417
Office, showroom and warehouse rent	35,996,924	25,492,755
Advertising	5,015,462	3,399,953
Marketing	12,371,065	9,030,046
Repairs and maintenance	6,124,596	4,758,980
Travelling	6,361,351	4,390,730
Communication	4,389,945	3,862,602
Electricity and water	3,786,880	3,806,247
Business development	350,170	1,037,081
Entertainment	1,205,423	1,009,171
Tender fee	575,505	752,103
Insurance expenses	2,423,944	1,667,387
Legal and registration charges	3,716,187	4,040,750
Printing and stationery	2,078,213	2,342,410
Consultancy expenses	1,514,002	1,141,418
Meeting and conference	638,493	140,598
Fuel	1,566,167	1,232,139
Subscription and catalogues	524,291	405,139
Transportation	1,258,018	1,112,220
Software, license and IT	309,930	290,197
Donations	1,614,743	767,705
Store consumables	583,389	542,758
Others	2,285,752	5,455,124
Total	**110,952,521**	**96,813,710**

31. Post-Dated Cheques and Other Liabilities:

	Minimum Payments 2007	Present Value of Minimum Payments 2007	Minimum Payments 2006	Present Value of Minimum Payments 2006
	QR.	QR.	QR.	QR.
No later than 1 year	41,254,720	38,736,826	41,254,720	38,736,826
Later than 1 year and not later than 3 years	51,568,400	45,465,760	41,254,720	36,372,607
Later than 3 years	--	--	51,568,400	42,690,853
	92,823,120	84,202,586	134,077,840	117,800,286
Less future finance charges	(8,620,534)	--	(16,277,554)	--
Present value of minimum payments	84,202,586	84,202,586	117,800,286	117,800,286

The Company used a discount rate of 6.5% to calculate the present value of these future payments, which represents the average borrowing rate of the Company.

The four pieces of land having an area of 317,344 sq. ft. are located in Lusail District – Qatar. The total purchase price of the four pieces of land is QR. 206,293,600. The Company agreed to make the following payments:

December 2008	41,254,720
Upon the delivery of land (2009)	51,568,400
Total future payments	92,823,120
Amounts already paid	113,470,480
Total purchase price of the land	206,293,600
Less: Future finance charges	(8,620,534)
Cost of Land	**197,673,066**

32. Executives and General Managers' Bonus:

As per the policy of the Company and the Board of Directors decision, a bonus of QR. 8,446,266 (2006: QR. 9,364,798) is to be paid from the net profit of the year for the executives of the Company and the general managers of certain subsidiary companies.

33. 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:

	2007	2006
	QR.	QR.
Net profit for the year attributable to equity holders of parent	127,540,725	128,771,938
Adjusted weighted average number of shares	82,801,500	82,801,500
Basic earnings per share	1.54	1.56

34. Contingent Liabilities:

	2007	2006
	QR.	QR.
Letters of Credit	68,579,533	46,524,208
Letters of Guarantee	166,718,104	96,084,688

Salam International Investment Limited has given guarantees on behalf of Qatari German Switchgear Company's (QGC) banking facilities of which an amount of QR. 22,069,856 is outstanding as at December 31, 2007. The Company has utilized its own banking facilities to accommodate QGC requirements for the amount of QR. 2,973,690 as at the balance sheet date.

By end of 2007, Salam International Investment Limited has provided to a local bank a corporate guarantee for Voltamp Manufacturing, an associate company, amounting to QR. 3,234,760.

Litigation:

On September 27, 2007, Electro Kavier Company, Iran who owns 49% of Qatari German Switchgear Company's (QGC) capital filed a court case against Salam International Investment Limited which owns the remaining 51% of the company's capital. Electro Kavier Company stated in their case that the QGC, a subsidiary of Salam International Investment Limited, incurred losses during 2005 and 2006 in excess of 50% of its capital. Electro Kavier Company claimed that these losses rendered that QGC is unable to continue its activities due to the debts caused by Salam International Investment Limited and requested the court to dissolve, liquidate the company and to appoint a liquidator for QGC. As of the date of the audit report, the outcome of this court case has not been determined.

35. Related Party Transactions:

These represent transactions with related parties, such as 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 conducted at an arm's length basis.

Amounts due from and due to related parties are disclosed in Note 7. During the year, the subsidiaries of the Company entered into the following trading transactions with related parties that are not members of the Group:

	2007	2006
	QR.	QR.
Revenue	5,796,247	10,284,917
Cost of sales	8,959,217	3,740,854
Other Income	11,169,880	423,707
Other expenses	1,212,880	1,368,772

36. Compensation of Key Management Personnel:

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

	2007	2006
	QR.	QR.
Short-term benefits		
Executives and General Managers' profit share	8,446,266	9,364,798
Other short-term benefits	16,552,377	10,274,364
Proposed directors' remuneration	2,750,000	1,800,000
	27,748,643	21,439,162
Long-term benefits	586,696	597,084
Total	**28,335,339**	**22,036,246**

37. Segmental Information:

For management purposes, the Company is organised into three geographical segments; the domestic market in Qatar and the regional market in Jordan, and GCC countries, mainly the United Arab Emirates and other countries. 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 assets and liabilities.

	2007				2006			
	Qatar QR.	GCC QR.	Others QR.	Total QR.	Qatar QR.	GCC QR.	Others QR.	Total QR.
Operating income								
From external customers	977,830,533	372,020,136	2,436,630	1,352,287,299	876,222,273	277,560,401	4,428,534	1,158,211,208
Inter-segment	58,462,219	4,422,788	--	62,885,007	43,216,584	3,350,378	--	46,566,962
Total revenue	1,036,292,752	376,442,924	2,436,630	1,415,172,306	919,438,857	280,910,779	4,428,534	1,204,778,170
Results								
Segment results	121,357,829	7,569,829	(392,009)	128,535,649	116,783,196	14,994,573	(3,811,033)	127,966,736
Net profit				128,535,649				127,966,736
Assets and liabilities								
Segment assets	2,041,534,645	323,135,250	3,584,988	2,368,254,883	1,666,143,466	306,888,415	5,933,730	1,978,965,611
Segment liabilities	657,747,400	359,177,202	1,612,714	1,018,537,316	566,538,855	142,322,339	4,446,328	713,307,522
Other segment information								
Capital expenditures:								
Tangible assets	140,362,118	161,394,554	9,108,744	310,865,416	211,175,287	83,929,994	282,721	295,388,002
Intangible assets	229,688	983,968	--	1,213,656	5,758,107	--	--	5,758,107
	140,591,806	162,378,522	9,108,744	312,079,072	216,933,394	83,929,994	282,721	301,146,109
Depreciation	21,099,896	9,142,926	195,590	30,438,412	17,849,551	7,230,008	312,812	25,392,371
Amortisation	2,518,222	434,171	--	2,952,393	2,421,399	391,065	--	2,812,464

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

38. Financial Risk Management:

Interest rate sensitivity analysis

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. Management does not hedge its interest rate risk and believes that the interest rate risk on its loans is minimal in the current business environment.

The following table demonstrates the sensitivity of the Company's profit to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the profit is the effect of the assumed changes in interest rate on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2007.

	2007	
	QR.	
Increase / decrease in basis points	+25	-25
Effect on profit for the year	889,264	(889,264)

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 by case basis.

The average credit period for sale of goods and rendering services is 60 days for private sectors and 90 days for governmental sectors.

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

Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. 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 related to 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

The Company is subject to market risk in relation to available-for-sale investments. The Company evaluates the current market value and other factors including normal volatility in share price for quoted equities and other relevant factors such as investment manager's periodical reports relating to unquoted equities in order to manage its market risk.

A 10% increase or decrease in market values of the Company's portfolio of available-for-sale investment is expected to result in an increase or decrease of QR 9,652,932 in the assets and equity of the Company.

Capital risk management

The Company manages its capital to ensure that it will be able to continue a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2006.

The capital structure of the Company consists of debt, which includes the borrowing disclosed in note (18), cash and cash equivalents and equity, comprising issued capital, reserves and return earnings.

Gearing ratio

The Company's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end as follows:

	2007	2006
	QR.	QR.
Debt (i)	267,739,685	81,181,330
Cash and cash equivalents	97,596,823	28,555,741
Net debt	365,336,508	109,737,071
Equity (ii)	1,345,662,653	1,278,190,643
Net debt to equity ratio	**27.15%**	**8.59%**

(i) Debt is defined as long and short term borrowing, as detailed in note (18).
(ii) Equity includes all capital and reserves of the Company.

39. 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:

Contracts in progress:

In accordance with accounting for contracts, in case the Company expects a loss at the end of the contract, the expected loss should be recorded at the time it becomes known to management. In this respect, management has estimated the cost-to-complete the contracts in progress as of December 31st 2007, which will result in a net profit to the operations. Based on the expected cost to complete management is confident that the contacts will result in a profit at completion and accordingly no provision for expected losses is required.

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.

Impairment of Goodwill

The Company's management determines whether goodwill is impaired by estimating the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the company to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

Impairment of Investments

Management evaluates its investments for impairment on a regular basis where there is a prolonged decline. Management estimates the value of impairment and the same is charged in the income statement.

41. Comparative Figures:

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