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

DOHA - QATAR

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2008
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2008

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INDEPENDENT AUDITOR'S REPORT

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, 2008, and the consolidated statement of income, consolidated statement of changes in shareholders' equity and 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 Statements

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 certain subsidiaries audited by other auditors who issued their unqualified audit opinions 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 1,112.9 million as at December 31, 2008 (December 31, 2007: QR 846.8 million), combined total liabilities of QR 830.9 million as at December 31, 2008 (December 31, 2007: QR 569.7 million) and net profits of QR 46.3 million for the year ended December 31, 2008 (year ended December 31, 2007: QR 53.2 million) are presented in these consolidated financial statements.

Independent auditor's report (continued)

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 risks 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 overall presentation of the financial statements.

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

Opinion

In our opinion and based on our audit and 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, 2008, 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 Companies' 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, the inventory count has been duly carried out and the contents of the annual report of the board of directors are in agreement with the Company's financial statements. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to information given to us, no contravention of the Qatar Commercial Companies 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

Muhammad Bahemia
License No. 103

Doha – Qatar
February 4, 2009

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C)

CONSOLIDATED BALANCE SHEET

As at December 31, 2008

	Note	2008	2007
ASSETS		**QR.**	QR.
Current Assets:			
Bank balances and cash		**163,883,100**	54,272,331
Trade and other receivables	**5**	**381,928,309**	279,660,269
Due from related parties	**6 a**	**22,056,297**	8,973,693
Retention receivables	**9**	**39,216,200**	30,621,427
Inventories	**7**	**333,069,275**	291,051,295
Trading securities	**8**	**6,138,753**	--
Excess of revenue over billings		**129,338,934**	116,435,528
Other assets	**10**	**89,421,739**	64,466,078
Total Current Assets		**1,165,052,607**	845,480,621
Non-Current Assets:			
Available for sale investments	**11**	**134,412,487**	158,073,587
Loan to associate company		**2,852,476**	3,278,217
Investments in associates	**13**	**209,215,864**	192,682,147
Retention receivables	**9**	**39,519,882**	18,891,938
Intangible assets	**15**	**112,823,366**	115,305,020
Investment properties	**16**	**657,741,096**	678,903,591
Property, plant and equipment	**17**	**433,872,514**	343,424,942
Other assets	**10**	**8,617,624**	12,214,820
Total Non-Current Assets		**1,599,055,309**	1,522,774,262
Total Assets		**2,764,107,916**	2,368,254,883

These consolidated financial statements were approved by the Board of Directors on February 4, 2009 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)

CONSOLIDATED BALANCE SHEET

As at December 31, 2008

	Note	2008	2007
		QR.	QR.
LIABILITIES AND EQUITY			
Current Liabilities:			
Borrowings	18	**277,829,636**	202,163,978
Post-dated cheques payable		**50,011,539**	51,643,446
Trade and other payables		**198,913,657**	192,345,726
Retention payables	9	**12,980,303**	9,952,652
Advances from customers		**15,574,842**	16,564,184
Excess of billings over revenues		**48,190,182**	24,687,654
Due to related parties	6 b	**7,439,409**	8,368,668
Other liabilities	19	**389,004,781**	224,478,324
Total Current Liabilities		**999,944,349**	730,204,632
Non-Current Liabilities:			
Borrowings	18	**232,606,546**	217,444,861
Retention payables	9	**14,750,393**	11,899,951
Employees' end of service benefits	20	**22,778,636**	15,812,723
Post-dated cheques payable		**2,689,991**	3,659,391
Other liabilities		**4,921,665**	45,465,758
Total Non-Current Liabilities		**277,747,231**	294,282,684
Capital and Reserves:			
Issued capital	21	**931,516,880**	828,015,000
Legal reserve	22	**337,650,076**	321,869,137
Investments revaluation reserve		**6,013,119**	20,457,490
Retained earnings		**83,261,533**	60,850,066
Property revaluation reserve	23	**4,262,839**	5,019,080
Proposed cash dividends	24	**58,219,805**	--
Proposed issue of bonus shares	24	**58,219,800**	103,501,880
Equity Attributable to Equity Holders of the Parent		**1,479,144,052**	1,339,712,653
Minority Interest	25	**7,272,284**	4,054,914
Total Equity		**1,486,416,336**	1,343,767,567
Total Liabilities and Equity		**2,764,107,916**	2,368,254,883

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

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C)

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2008

	Note	2008 QR.	2007 QR.
Revenue	26	1,751,884,266	1,352,287,299
Cost of revenue	27	(1,259,214,735)	(998,005,292)
Gross Profit		492,669,531	354,282,007
Investment revenue	28	112,791,614	74,955,985
Other operating revenue		6,109,737	4,606,185
Service and consultancy revenue		10,572,606	7,299,201
Other income	29	15,164,695	16,538,208
		637,308,183	457,681,586
Salaries and related benefits		(199,558,785)	(149,063,727)
General and administrative expenses	30	(180,253,982)	(110,952,521)
Amortization of intangible assets	15 b	(3,172,805)	(2,952,393)
Depreciation of investment properties	16	(2,551,409)	(2,818,040)
Depreciation of property, plant and equipment	17	(42,757,166)	(27,620,372)
Impairment of investments		(12,738,172)	(5,194,188)
Finance costs		(21,892,558)	(19,348,430)
Profit Before General Managers' Profit Share and Directors Remuneration		174,383,306	139,731,915
Executives and general managers' bonus	33	(9,878,380)	(8,446,266)
Proposed directors' remuneration	37	(2,750,000)	(2,750,000)
Profit for the year before social contribution		161,754,926	128,535,649
Provision for Social Contribution	31	(3,945,533)	--
Net Profit for the Year		157,809,393	128,535,649
Attributable to:			
Equity holders of the parent		153,875,770	127,540,725
Minority interest	25	3,933,623	994,924
		157,809,393	128,535,649
Earnings Per Share (EPS)			
Basic and Diluted EPS	34	1.65	1.37

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

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2008

	Issued Capital	Legal Reserve	Investments Revaluation Reserve	Retained Earnings	Property Revaluation Reserve	Propose 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, 2008	**828,015,000**	**321,869,137**	**20,457,490**	**60,850,066**	**5,019,080**	**103,501,880**	**1,339,712,653**	**4,054,914**	**1,343,767,567**
Minority interest (note 25)	--	--	--	--	--	--	--	(716,253)	**(716,253)**
Bonus Shares Issued for 2007	103,501,880	--	--	--	--	(103,501,880)	--	--	--
Net profit for the year	--	--	--	153,875,770	--	--	**153,875,770**	3,933,623	**157,809,393**
Transfer to legal reserve	--	15,780,939	--	(15,780,939)	--	--	--	--	--
Net fair value adjustments	--	--	(9,049,667)	--	--	--	**(9,049,667)**	--	**(9,049,667)**
Transfer to income statement on disposal of available for sale investments	--	--	(5,394,704)	--	--	--	**(5,394,704)**	--	**(5,394,704)**
Revaluation reserve realized (note 23)	--	--	--	756,241	(756,241)	--	--	--	--
Proposed issue of bonus shares	--	--	--	(58,219,800)	--	58,219,800	--	--	--
Proposed Cash Dividend	--	--	--	(58,219,805)	--	58,219,805	--	--	--
Balance at December 31, 2008	**931,516,880**	**337,650,076**	**6,013,119**	**83,261,533**	**4,262,839**	**116,439,605**	**1,479,144,052**	**7,272,284**	**1,486,416,336**

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

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2008

	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 (note 25)	--	--	--	--	--	--	--	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 (note 23)	--	--	--	1,033,412	(1,033,412)	--	--	--	--
Proposed issue of bonus shares	--	--	--	(103,501,880)	--	103,501,880	--	--	--
Balance at December 31, 2007	**828,015,000**	**321,869,137**	**20,457,490**	**60,850,066**	**5,019,080**	**103,501,880**	**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)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2008

	Note	2008 QR.	2007 QR.
Cash Flows From Operating Activities:			
Profit for the year		**157,809,393**	128,535,649
Adjustments for:			
Investment revenue		**(67,406,336)**	(32,375,005)
Provision for doubtful debts	**30**	**13,190,090**	6,834,435
Provision for slow moving stocks	**30**	**19,002,374**	9,427,636
Provision for Social Contribution		**3,945,533**	--
Impairment on available for sale investments		**9,838,198**	4,170,988
Impairment on other investments		**476,800**	1,023,200
Amortization of intangible assets	**15 b**	**3,172,805**	2,952,393
Depreciation on investment properties	**16**	**2,551,409**	2,818,040
Depreciation of property, plant and equipment	**17**	**44,796,440**	29,441,413
Loss / (gain) on sale of property, plant and equipment		**245,635**	(296,726)
Employees' end of service benefits		**9,073,033**	5,960,421
Loan to an associate		**425,743**	425,743
Loan to a related party		**14,600,000**	--
Finance costs		**21,892,558**	19,348,430
		233,613,675	178,266,617
Trade receivables and other assets		**(136,816,595)**	(37,523,706)
Due from related parties		**(27,682,604)**	3,411,967
Retention receivables		**(29,222,717)**	(12,085,270)
Excess of revenue over billings		**(12,903,406)**	(45,957,061)
Inventories		**(61,020,354)**	(115,066,047)
Trade payables and other liabilities		**126,604,762**	122,214,920
Due to related parties		**(929,259)**	4,108,205
Excess of billings over revenue		**23,502,528**	(11,748,595)
Retention payables		**5,878,091**	4,513,355
Advance received from customers		**(989,342)**	116,564
Cash Generated from Operations		**120,034,779**	90,250,949
Finance cost paid		**(21,892,558)**	(19,348,430)
Employees end of service benefits paid		**(2,107,120)**	(2,071,441)
Net Cash from Operating Activities		**96,035,101**	68,831,078

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

SALAM INTERNATIONAL INVESTMENT LIMITED (Q.S.C)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2008

	Note	2008	2007
		QR.	QR.
Cash Flows From Investing Activities:			
Payments for property, plant and equipment		**(137,899,881)**	(135,414,711)
Proceeds from sale of property, plant and equipment		**2,410,235**	7,219,070
Proceeds from sale of investments properties		**158,619,851**	15,688,520
Proceeds from sale of available for sale investments		**31,789,293**	64,747,097
Payments for trading securities		**(22,487,991)**	--
Proceeds from sale of trading securities		**13,805,409**	--
Payments for intangible assets		**(691,151)**	(1,213,656)
Payment for investment properties		**(90,731,103)**	(65,446,348)
Payment for available for sale investments		**(25,918,845)**	(26,535,360)
Net movement in investment in associate companies		**(16,152,305)**	(80,752,462)
Loan to an associate		--	(425,743)
Dividends received from available for sale investments		**3,935,738**	4,371,966
Dividends received from associates		**4,517,592**	4,464,844
Interest received		**4,869,043**	1,467,247
Net Cash Used in Investing Activities		**(73,934,115)**	(211,829,536)
Cash Flows From Financing Activities:			
Net movement in borrowings		**42,347,283**	186,558,355
Post-dated cheques payable		**(2,601,307)**	(30,914,469)
Net movement in minority interest		**(716,253)**	1,114,990
Dividends paid		--	(82,801,500)
Net Cash From Financing Activities		**39,029,723**	73,957,376
Increase / (Decrease) in Cash and Cash Equivalents		**61,130,709**	(69,041,082)
Cash and Cash Equivalents – Beginning of the year		**(97,596,823)**	(28,555,741)
Cash and Cash Equivalents - End of the year	4	**(36,466,114)**	(97,596,823)

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

1. INCORPORATION 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.

The financial statements were approved by the Board of Directors and authorized for issue on February 04, 2009.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Interpretations Effective in the Current Period:

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11-IFRS 2: *Group and Treasury Share Transactions* which is effective for annual periods beginning on or after 1 March 2007; IFRIC 12 *Service Concession Arrangements* which is effective for annual periods beginning on or after 1 January 2008 and IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* which is effective for annual periods beginning on or after 1 January 2008

The adoption of these three Interpretations had no significant effect on the financial statements of the Company for the year ended December 31, 2008.

Standards and Interpretations in issue not yet effective

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

Revised Standards	
• IAS 1 (Revised) *Presentation of Financial Statements*	Effective for annual periods beginning on or after 1 January 2009
• IAS 23 (Revised) *Borrowing Costs*	Effective for annual periods beginning on or after 1 January 2009
• IAS 27 (Revised) *Consolidated and Separate Financial Statements*	Effective for annual periods beginning on or after 1 July 2009
• IAS 28 (Revised) *Investments in Associates*	Effective for annual periods beginning on or after 1 July 2009
• IAS 31 (Revised) *Interests in Joint Ventures*	Effective for annual periods beginning on or after 1 July 2009
• IAS 32 (Revised) *Financial Instruments: Presentation*	Effective for annual periods beginning on or after 1 January 2009

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

• IFRS 1 (Revised) *First time adoption*	Effective for annual periods beginning on or after 1 January 2009
• IFRS 2 (Revised) *Share-based Payments*	Effective for annual periods beginning on or after 1 January 2009
• IFRS 3 (Revised) *Business Combinations*	Effective for annual periods beginning on or after 1 July 2009
New Standard	
• IFRS 8 *Operating Segments*	Effective for annual periods beginning on or after 1 January 2009
New Interpretation	
• IFRIC 13 – *Customer loyalty Programmes*	Effective for annual periods beginning on or after July 1, 2008
• IFRIC 15 - *Agreement for Construction of Real Estate*	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 16 – *Hedges of Net Investment in Foreign Operations*	Effective for annual periods beginning on or after October 1, 2008

Management anticipates that the adoption of these Standards and Interpretations, as applicable, in future periods will have no material financial impact on the consolidated financial statements of the Company in the period of initial application, other than certain presentation and disclosure changes.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. ("IFRS")

Basis of Preparation
The consolidated financial statements have been prepared under the historical cost basis except for the available for sale investments and trading securities, and certain property, plant and equipment which are measured at fair value and revalued amount respectively. The principal accounting policies adopted are set out below.

These consolidated financial statements are presented in Qatari Riyals which is the Company's functional currency.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation (continued)
Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by 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 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 acquisition method. The cost of the business combination is measured as the aggregate of the fair value (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 value 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Dividends from investments are recognised when the shareholder's right to receive payment has been established.

Interest 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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)
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.

Trade Receivable
Trade receivables 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trading securities
Investments / trading securities are classified as at fair value through profit and loss if they are acquired for the purpose of selling in the near term or designated as such. These investments are stated at fair value. All related unrealised gains or losses are included in the income statement. Interest earned or dividends received are included in interest and dividend income respectively.

Available for sale investments
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 traded in organised financial markets, fair value is determined by reference to the quoted market price at the close of 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 other applicable methods. If there is no reliable method for the measurement of fair value 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 and trading 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 bank overdrafts.

Trade 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Financial Assets (continued)
With the exception of available for sale investments and trading securities, 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 asset 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 and trading securities, any increase in fair value of equities subsequent to an impairment loss is recognised directly in equity and profit and loss respectively.

Investment Properties
Investment properties, which constitute land and building held to earn rentals and/or for capital appreciation are stated at cost less accumulated depreciation and impairment losses, if any.

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 – 20 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated 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

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 consolidated 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. CASH AND CASH EQUIVALENTS

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

	2008	2007
	QR.	QR.
Bank balances and cash	**163,883,100**	54,272,331
Bank overdrafts (note 18)	**(200,349,214)**	(151,869,154)
Net	**(36,446,114)**	(97,596,823)

5. TRADE AND OTHER RECEIVABLES

	2008	2007
	QR.	QR.
Trade receivables	**411,756,523**	304,396,952
Provision for doubtful debts	**(46,625,991)**	(38,753,736)
Net Trade Receivables	**365,130,532**	265,643,216
Post dated cheques receivables	**16,797,777**	14,017,053
Total	**381,928,309**	279,660,269

5. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of trade receivables:

	2008 QR.	2007 QR.
Trade receivables not past due	**294,472,132**	205,792,059
Trade receivables past due not impaired		
Up to 30 days	**23,201,364**	14,944,623
31 to 60 days	**13,255,022**	9,810,883
61 to 90 days	**15,848,294**	7,068,780
91 to 120 days	**11,629,644**	4,185,174
Beyond 121 days	**6,724,076**	23,841,697
Trade receivables past due and impaired		
Beyond 121 days	**46,625,991**	38,753,736
Total	**411,756,523**	304,396,952

Movement of provision for doubtful debts:

	2008 QR.	2007 QR.
Opening balance	**38,753,736**	33,116,417
Additions	**13,190,090**	6,834,435
Written off	**(5,317,835)**	(1,197,116)
Ending Balance	**46,625,991**	38,753,736

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.

6. a) DUE FROM RELATED PARTIES

	2008 QR.	2007 QR.
Bin Oman Trading and Contracting	**1,411,837**	2,952,595
Salam Holdings	**2,411,273**	2,749,867
Salam Bounian Development Company	**17,399,031**	1,924,498
Electro Kavier Company, Iran	**646,938**	1,083,927
Salam Interconsult	**187,218**	187,218
Voltamp Manufacturing, Qatar	--	7,087
C-Nergy Middle East	--	68,501
Total	**22,056,297**	8,973,693

6. b) DUE TO RELATED PARTIES

	2008 QR.	2007 QR.
Omnix International	**1,892,080**	6,071,891
Omani Holdings International	--	41,032
Holmesglen Australia	**2,308,904**	--
RBG UK	**2,911,590**	2,252,895
Al Nooh Wood Industries	**326,835**	--
Gulf Facility Management	--	2,850
Total	**7,439,409**	8,368,668

7. INVENTORIES

	2008 QR.	2007 QR.
Finished goods and raw materials	**383,178,144**	326,203,737
Goods in transit	**5,098,903**	2,986,398
	388,277,047	329,190,135
Provision for slow moving items	**(55,207,772)**	(38,138,840)
Net	**333,069,275**	291,051,295

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

8. TRADING SECURITIES

	2008	2007
	QR.	QR.
Listed securities		
Equity securities-Qatar	**6,138,753**	--
Net	**6,138,753**	--

9. RETENTIONS

Retention Receivables

Retention receivable represents amounts withheld from the Company's issued invoices as maintenance guarantees by the 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 to 10% of each invoice.

Retention Payable

Retention payable represents amounts withheld from subcontractors' invoices as maintenance guarantees. 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 to 10% of each invoice.

10. OTHER ASSETS

	Current		Non Current	
	2008	2007	**2008**	2007
	QR.	QR.	**QR.**	QR.
Prepayments	**24,656,155**	25,361,324	**6,595,354**	8,596,488
Notes receivable	--	--	**2,022,270**	3,618,332
Advance payments	**36,080,353**	11,822,172	--	--
Other receivables and debit balances	**26,998,556**	20,528,172	--	--
Accrued income	**1,686,675**	6,754,410	--	--
Total	**89,421,739**	64,466,078	**8,617,624**	12,214,820

11. AVAILABLE FOR SALE INVESTMENTS

	2008	2007
	QR.	QR.
Listed securities		
Equity securities-Qatar	**34,634,541**	57,331,732
Equity securities-UAE	**320,597**	1,576,577
Equity securities-Jordan	**9,700,162**	10,250,184
Equity securities-Palestine (a)	**20,985,756**	18,389,580
Equity securities-Bahrain	**3,763,520**	8,981,242
	69,404,576	96,529,315
Unlisted securities	**65,007,911**	61,544,272
Total	**134,412,487**	158,073,587

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

Available for sale investments are denominated in the following currencies:

	2008	2007
	QR.	QR.
Qatari Riyals	**53,166,016**	72,399,567
US Dollars	**71,187,690**	73,809,238
Jordanian Dinars	**9,738,184**	10,288,206
Emirati Dirhams	**320,597**	1,576,576
Total	**134,412,487**	158,073,587

12. SUBSIDIARIES

Details of the Company's subsidiaries at December 31, 2008 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
Holmsglen Qatar	Qatar	98	98	Training Services

12. SUBSIDIARIES (CONTINUED)

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

Other Companies:

Salam Enterprises Company	Bahrain	80	80	Furniture Trading W.L.L
DeBeers Pirlanta	Turkey	100	100	Diamond Jewellery

(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.

12. SUBSIDIARIES (CONTINUED)

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.

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 2008 %	Ownership interest 2007 %
- SAJ Emirates Trading L.L.C. (i)	Retail (clothes, perfumes, etc.)	United Arab Emirates	43	43
- Salam Bounian Development Company (ii)	Real Estate	Qatar	35.15	32.97
- Design House (iii)	Fashion Design	Qatar	100	66.3
- Voltamp Manufacturing (iv)	Transformers Manufacturing	Qatar	34	34
- Salam Tourism (v)	Tourism	Qatar	50	--

(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 32.97% (QR. 187,349,771) in 2007 to 35.15% (QR. 200,517,360) in 2008. The increase, up to 50% of ownership, was approved by the majority of shareholders during the ordinary general assembly meeting held on October 21, 2007.

(iii) The Company has increased its share to 100% shareholding in Design House. Full provision has been taken regarding the Company's share in 2008. The Company intends to liquidate Design House in 2009.

(iv) Voltamp Manufacturing was registered in Qatar on March 6, 2007 as a limited liability company for the manufacturing of transformers. The Company has 34% shareholding in Voltamp Manufacturing.

(v) Salam Tourism was registered in Qatar on May 26, 2008 as a limited liability company for representing, managing, and developing local and international restaurants. The Company has 50% shareholding in Salam Tourism which is incurring pre-opening expenses as it did not start any operations until the date of the audit report.

13. INVESTMENT IN ASSOCIATES (CONTINUED)

The movements in investments in associates are as follows:

	2008	2007
	QR.	QR.
At January 1,	**192,682,147**	103,669,237
Acquired	**17,164,388**	80,752,462
Share of income from investment	**5,375,805**	14,174,235
Dividends received during the year	**(4,517,592)**	(4,464,844)
Reclassified as loan to an associate company	**425,743**	(425,743)
Provision for impairment of investment	**(1,914,627)**	(1,023,200)
At December 31,	**209,215,864**	192,682,147

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:

	QR.
Design, construction and supervision of car parking paid to GRDG Inc.	**8,934,617**
Licenses and legal advice fee	**294,767**
Salaries and travelling expenses	**828,015**
Other project expenses	**546,093**
Total	**10,603,492**
Provision for impairment of project	**(10,603,492)**
Net	--

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

15. INTANGIBLE ASSETS

	Notes	2008	2007
		QR.	QR.
Goodwill	15 (a)	**107,965,129**	107,965,129
Development costs	15 (b)	**4,858,237**	7,339,891
Total		**112,823,366**	115,305,020

15 (a) GOODWILL

	2008	2007
	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

15 (a) GOODWILL (CONTINUED)

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 allocations of the carrying amounts of goodwill to the Company's CGU's (the subsidiary companies) are as follows:

	2008	2007
	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.

	2008	2007
	QR.	QR.
Cost		
At January 1	**15,538,633**	14,324,977
Additions during the year	**691,151**	1,213,656
At December 31	**16,229,784**	15,538,633
Amortization		
At January 1	**8,198,742**	5,246,349
Amortization during the year	**3,172,805**	2,952,393
At December 31	**11,371,547**	8,198,742
Carrying amount	**4,858,237**	7,339,891

16. INVESTMENT PROPERTIES

	Land in Ramallah	Lands and Buildings in Dubai	Lands and Buildings in Doha			Total
			Salam Tower	Salam Plaza	Others	
	QR.	QR.	QR.	QR.	QR.	QR.
Cost						
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**
Additions	--	85,247,436	--	10,500	5,473,167	90,731,103
Disposals	--	(57,752,077)	--	--	(52,650,125)	(110,402,202)
Balance - December 31, 2008	**4,795,529**	**89,008,229**	**86,135,514**	**286,049,113**	**203,146,233**	**669,134,618**

16. INVESTMENT PROPERTIES (CONTINUED)

	Land in Ramallah	Lands and Buildings in Dubai	Lands and Buildings in Doha			Total
			Salam Tower	Salam Plaza	Others	
	QR.	QR.	QR.	QR.	QR.	QR.
Accumulated Depreciation						
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**
Depreciation charge for the year	--	391,841	1,604,266	555,302	--	2,551,409
Disposals	--	(1,060,013)	--	--	--	(1,060,013)
Balance - December 31, 2008	--	--	**9,607,211**	**1,786,311**	--	**11,393,522**
Carrying Amount						
At December 31, 2008	**4,795,529**	**89,008,229**	**76,528,303**	**284,262,802**	**203,146,233**	**657,741,096**
At December 31, 2007	**4,795,529**	**60,844,698**	**78,132,569**	**284,807,604**	**250,323,191**	**678,903,591**
	(i)	(ii)	(iii)	(iv)	(v)	

16. INVESTMENT PROPERTIES (CONTINUED)

(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 M/S Omary Real Estate, an external valuer based in Ramallah, Palestine on January 13, 2009 was QR. 9,129,904 (2007: QR.10,179,668).

(ii) The fair value of the piece of land in Dubai, UAE based on valuation carried out by M/S Al Izdhar Real Estate, an external valuer based in Dubai, UAE on January 18, 2009 with an original cost of QR. 3,760,793 was QR. 6,502,812 (2007: QR. 6,367,337).

During the year, the Company sold two buildings in Dubai, UAE for an amount of QR. 71,395,010 resulting in a gain of QR. 14,632,016.

During the same year, the Company entered into three "sale and development" agreements with Salam Bounian Development Company (an associate) for QR. 85,247,436. According to these agreements, the Company purchased three plots of land in Jumeirah Village-Dubai from Salam Bounian Development Company which were originally purchased by Salam Bounian Development Company from a developer in Dubai. The Company reimbursed Salam Bounian Development Company for the installments already made by them in addition to interest. The Company will pay the remaining installments directly to the developer in Dubai.

According to the agreements, if the company decides to develop and sell the three plots, Salam Bounian Development Company will share 30% of the resulting net profit with Salam International Investment Limited. If the Company decides to sell the three plots of land without development, Salam Bounian will share 60% of the resulting net profit.

The original sale agreement with the developer is still in the name of Salam Bounian Development Company. Title is still with the developer and will be transferred upon final payement.

The fair value of the three pieces of land in Dubai, UAE based on the valuation carried out by M/S Al Izdhar Real Estate, an external valuer based in Dubai, UAE on January 05, 2009 was QR. 104,644,752.

(iii) The fair value of Salam Tower based on the valuation carried out by M/S Aqar Real Estate Development and Investment, an external valuer based in Doha - Qatar on January 07, 2009 was QR. 341,585,000 (2007: QR. 355,772,000).

(iv) The fair value of Salam Group W.L.L. properties was ascertained by a valuation carried out by M/S Aqar Real Estate Development and Investment, an independent external valuer based in Doha - Qatar on January 07, 2009 to be QR. 626,589,000 (2007: QR. 652,511,000). The carrying amount of the properties as at December 31, 2008 was QR. 371,085,759 (2007: QR. 371,299,067), out of which QR. 86,822,958 (2007: QR. 86,491,464) 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).

16. INVESTMENT PROPERTIES (CONTINUED)

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 the 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 is mortgaged in favor of the financing banks according to the Musharaka agreement. The Company holds a second degree mortgage in its favor on the project.

(v) Included in additions for the year is an amount of QR. 5.5 million related to finance cost capitalized.

The fair value of the four pieces of land in Doha, Qatar based on valuation carried out by M/S Aqar Real Estate Development and Investment, an independent external valuer based in Doha – Qatar on January 07, 2009 with an original cost of QR. 203,146,233 was QR. 380,812,000 (2007: QR. 412,548,000). For present value calculation, refer to note 32.

The Company has sold two residential compounds in Doha, Qatar for an amount of QR. 88,938,800 resulting in a gain of QR. 34,645,646.

(vi) The Company earned rental income of QR. 45.479 million from investment properties during the year ended December 31, 2008 (QR. 42.086 million for the year ended December 31, 2007). 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, 2007	22,579,874	89,828,703	25,410,670	80,555,836	17,576,982	45,282,700	63,567,154	344,801,91
Additions	163,300	230,650	8,303,577	9,650,244	6,969,362	15,085,919	91,817,880	132,220,9
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)	(10,873,28
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**	**466,149,5**
Additions	73,000	--	6,001,540	7,987,196	8,075,846	13,415,841	102,346,459	137,899,8
Transfers	25,819,073	1,794,664	12,846,803	83,729,640	162,480	9,024,260	(133,376,920)	--
Disposals	(128,020)	--	(970,733)	(1,351,105)	(1,325,890)	(3,968,444)	(601,338)	(8,345,5
Balance – December 31, 2008	**48,345,765**	**91,730,011**	**54,902,532**	**182,111,295**	**30,103,147**	**78,889,769**	**109,621,395**	**595,703,91**

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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.
Accumulated Depreciation:								
Balance - January 1, 2007	5,230,024	2,359,961	18,170,963	39,879,940	8,765,293	26,021,750	--	100,427,93
Charge for the year	1,948,156	1,380,014	3,069,632	11,542,227	3,194,261	8,307,123	--	29,441,41
Disposals	(128,958)	(296,091)	(466,673)	(2,808,059)	(1,093,567)	(2,351,376)	--	(7,144,72
Balance - January 1, 2007	**7,049,222**	**3,443,884**	**20,773,922**	**48,614,108**	**10,865,987**	**31,977,497**	--	**122,724,62**
Charge for the year	3,268,625	1,463,171	4,952,285	18,405,207	4,669,208	12,037,944	--	44,796,44
Disposals	(85,412)	--	(575,780)	(875,727)	(1,166,368)	(2,986,373)	--	(5,689,66
Balance – December 31, 2008	**10,232,435**	**4,907,055**	**25,150,427**	**66,143,588**	**14,368,827**	**41,029,068**	--	**161,831,40**
Carrying Amount:								
At December 31, 2008	**38,113,330**	**86,822,956**	**29,752,105**	**115,967,707**	**15,734,320**	**37,860,701**	**109,621,395**	**433,872,51**
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**	**343,424,94**
	(iii)	(i)					(ii)	

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

(ii) Included in capital work in progress is interest capitalized amounting to QR. 2,563,790 (December 31, 2007 : QR 2,903,343)

(iii) Buildings costing QR 48,345,765 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:

	2008	2007
	QR.	QR.
Cost of revenue	**2,039,274**	1,821,041
Depreciation	**42,757,166**	27,620,372
Total	**44,796,440**	29,441,413

18. BORROWINGS

	Current		Non-current	
	2008	2007	2008	2007
	QR.	QR.	QR.	QR.
Bank overdrafts	**200,349,214**	151,869,154	--	--
Bank loans	**77,480,422**	50,294,824	**232,606,546**	217,444,861
Total	**277,829,636**	202,163,978	**232,606,546**	217,444,861

Bank overdrafts carry an average interest rate of 7%.

Bank loans are detailed as follows:

	Effective Interest Rate %	Maturity	2008	2007
			QR.	QR.
Loan 1 (i)	LIBOR + 2.00%	December 6, 2012	**36,401,106**	57,079,233
Loan 2 (ii)	LIBOR + 1.75%	September 20, 2013	--	33,998,597
Loan 3 (iii)	LIBOR + 1.50%	February 25, 2013	**38,629,032**	48,286,290
Loan 4 (iv)	LIBOR + 1.25%	November 20, 2011	**35,504,625**	47,593,134
Loan 5 (v)	QCBRR +1.50%	September 30, 2013	**9,690,000**	2,500,000
Loan 6 (vi)	EIBOR + 2.50%	April 30, 2012	**41,254,125**	49,504,950
Loan 7 (vii)	QCBRR + 2.00%	June 30, 2014	--	18,974,703
Loan 8 (viii)	Libor 3M + 2.00%	August 30, 2013	**61,905,500**	--
Loan 9	Flat 4.90%	October 31, 2010	**512,442**	805,266
Loan 10	Flat 4.90%	September 1, 2012	**1,661,406**	1,822,580
Loan 11	Flat 3.9905%	November 12, 2009	**188,917**	--
Loan 12 (vii)	EIBOR + 2.00%	June 30, 2013	**44,735,470**	--
Loan 13	Flat 9.50%	August 31, 2010	**616,161**	909,379
Loan 14	Flat 7.00%	November 12, 2009	--	395,008
Loan 15	Flat 6.50%	August 31, 2013	**1,519,357**	--
Loan 16	LIBOR + 2%	June 30, 2009	**240,258**	720,950
Loan 17	Flat 6%	August 31, 2012	**3,709,809**	4,352,720
Loan 18	JCB + 2.00%	January 16, 2009	**607,887**	796,875
Loan 19 (ix)	Libor 3M + 2.05%	September 15, 2014	**29,132,000**	--
Loan 20	IBQ RR + 1.00%	March 4, 2010	**496,667**	--
Loan 21	BNPPLR + 0.50%	May 23, 2009	**1,717,306**	--
Loan 22	Flat 8.10%	March 31, 2009	**1,564,900**	--
Total			**310,086,968**	**267,739,685**

18. BORROWINGS (CONTINUED)

	2008	2007
	QR.	QR.
Presented in the balance sheet as follows:		
Current portion	**77,480,422**	50,294,824
Non-current portion	**232,606,546**	217,444,861
Total	**310,086,968**	267,739,685

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. 2.564 million is capitalized. Interest capitalization will continue until the project is ready for use.

(ii) A loan of USD 9.335 million (equivalent to QR. 34 million) was granted in March 2007 for acquiring two properties in Dubai, UAE. The loan was fully settled in 2008 subsequent to the sale of the two properties.

(iii) 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.

(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) An initial loan of QR. 11 million was granted in October 2007 for financing construction and building of one of the subsidiaries. The final amount that is utilized is QR. 9,690,000. Monthly installments of QR. 170,000 and a final installment will be paid by September 2013.

(vi) A loan of AED 50 million (equivalent to QR 49.5 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 AED 50 million (equivalent to QR. 49.5 million) was granted in September 2008 to settle an outstanding loan of QR. 20 million and for financing the working capital of Salam Group Companies (in Qatar, UAE, and Oman). Semi annual installments of AED 5 million (equivalent to QR. 4,950,500) and a final installment will be paid by June 2013.

(viii) A loan of USD 17 million (equivalent to QR 61,905,500) was granted for financing the opening of four new DeBeers outlets in the GCC region and Turkey. Quarterly installments of USD 1,062,500 (equivalent to QR 3,869,094) and a final installment will be paid by August 2013.

18. BORROWINGS (CONTINUED)

(ix) A loan of USD 8 million (equivalent to QR. 29,132,000) was granted in August 2008 for financing the working capital and routine CAPEX of subsidiary companies. Semi annual installments of USD 800,000 (equivalent to QR. 2,913,200) and a final installment will be paid by September 2014.

Facilities obtained from financial institutions are secured by:

- 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

	2008	2007
	QR.	QR.
Customer advances	**104,370,981**	63,912,112
Provision for suppliers dues	**97,469,426**	42,523,374
Provision for completed jobs	**40,813,208**	33,084,873
Dividend payable	**3,992,843**	4,315,669
Accrued Expenses	**7,872,741**	14,544,838
Other payables	**134,485,582**	66,097,458
Total	**389,004,781**	224,478,324

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:

	2008	2007
	QR.	QR.
Opening balance	**15,812,723**	11,923,743
Net additions during the year	**9,073,033**	5,960,421
Paid during the year	**(2,107,120)**	(2,071,441)
Net	**22,778,636**	15,812,723

21. ISSUED CAPITAL

	2008	2007
	QR.	QR.
Authorised issued and fully paid up share capital		
82,801,500 shares of QR. 10 each	**828,015,000**	828,015,000
Issue of bonus shares	**103,501,880**	--
Total	**931,516,880**	828,015,000

The Board of Directors proposal for bonus shares of 12.5% as dividends for 2007 amounting to QR. 103,501,880 was approved by the shareholders at the General Assembly held on March 10, 2008. Accordingly, the share capital increased by QR. 103,501,880.

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

	2008	2007
	QR.	QR.
Balance at beginning of year	**5,019,080**	6,052,492
Transferred to retained earnings	**(756,241)**	(1,033,412)
Balance at end of year	**4,262,839**	5,019,080

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 December 1, 2008, the Board of Directors proposed an issue of bonus shares of 6.25% as dividends for the current financial year amounting to QR 58,219,800 (2007: QR 103,501,880) and a cash dividend of 6.25% for the current financial year amounting to QR 58,219,805, which are subject to the approval of the shareholders at the General Assembly. The dividends for 2007 were approved by the shareholders at the General Assembly held on March 10, 2008.

25. MINORITY INTEREST

	2008 QR.	2007 QR.
Balance at beginning of year	**4,054,914**	1,945,000
Capital contribution	**61,900**	554,788
Disposal of investment	**--**	(245,000)
Share of profit for the year	**3,933,623**	994,924
Net (gain)/loss of previous year distributed / absorbed in the current year	**(778,153)**	805,202
Balance at end of year	**7,272,284**	4,054,914

26. REVENUE

	2008 QR.	2007 QR.
Contract income	**890,971,691**	741,029,920
Sale of goods	**782,925,765**	590,650,789
Service and other income	**77,986,810**	20,606,590
Total	**1,751,884,266**	1,352,287,299

27. COST OF REVENUE

	2008 QR.	2007 QR.
Contract cost	**710,051,646**	601,161,127
Cost of sales	**492,480,184**	381,965,148
Service and other cost	**56,682,905**	14,879,017
Total	**1,259,214,735**	998,005,292

28. INVESTMENT REVENUE

	2008 QR.	2007 QR.
Rental income from investment properties	**45,479,165**	42,086,253
Profit on sale of available for sale investments	**6,491,917**	12,428,435
Mark to market of trading securities	**(4,189,823)**	--
Gain on sale of trading securities	**1,552,107**	--
Gain / (loss) on sale of investment properties	**49,277,662**	(66,878)
Interest income	**4,869,043**	1,467,247
Income from investment in associates	**5,375,805**	14,174,235
Income from sale of a subsidiary	--	494,727
Dividend income	**3,935,738**	4,371,966
Total	**112,791,614**	74,955,985

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

	2008 QR.	2007 QR.
Available for sale financial assets	**10,427,655**	16,800,401
Trading securities	**(2,637,716)**	--
Loans and receivables (including cash and bank balances)	**4,869,043**	1,467,247
	12,658,982	18,267,648
Investment income earned on non-financial assets	**100,132,632**	56,688,337
Total	**112,791,614**	74,955,985

29. OTHER INCOME

	2008 QR.	2007 QR.
Profit on sale of property, plant and equipment	**59,749**	296,726
Profit / (Loss) on foreign currency exchange	**2,187,748**	(315,584)
Rent income from sub-lease arrangements	**3,882,388**	2,032,697
Miscellaneous	**9,034,810**	14,524,369
Total	**15,164,695**	16,538,208

30. GENERAL AND ADMINISTRATIVE EXPENSES

	2008	2007
	QR.	QR.
Provision for bad and doubtful debts	**13,190,090**	6,834,435
Provision for slow moving inventories	**19,002,374**	9,427,636
Office, showroom and warehouse rent	**55,833,345**	35,996,924
Advertising	**9,073,882**	5,015,462
Marketing	**20,971,887**	12,372,046
Repairs and maintenance	**9,013,830**	6,124,596
Travelling	**7,332,317**	6,432,457
Communication	**5,871,864**	4,389,945
Electricity and water	**6,480,249**	3,786,880
Business development	**3,465,408**	350,170
Entertainment	**1,643,998**	1,205,423
Tender fee	**770,895**	575,505
Insurance expenses	**3,313,901**	2,423,944
Legal and registration charges	**4,689,210**	2,463,887
Printing and stationery	**2,804,767**	2,078,213
Professional fees	**4,734,918**	2,766,302
Meeting and conference	**404,160**	638,493
Fuel	**1,971,546**	1,566,167
Subscription and catalogues	**551,714**	524,291
Transportation	**1,787,186**	1,258,018
Software, license and IT	**429,600**	309,930
Donations	**841,659**	1,614,743
Employees' sales commissions	**1,602,906**	986,959
Health and safety expenses	**366,374**	237,337
Store consumables	**607,212**	583,389
Loss of disposal of property, plant, and equipment	**245,635**	--
Others	**3,253,055**	989,369
Total	**180,253,982**	110,952,521

31. PROVISION FOR SOCIAL CONTRIBUTION

During the year, and in accordance with law number 13 of 2008, the company has taken a provision for the support of sports, social, cultural and charitable activities with an amount equivalent to 2.5% of the net profit of the Company.

32. POST-DATED CHEQUES AND OTHER LIABILITIES

	Minimum Payments 2008	Present Value of Minimum Payments 2008	Minimum Payments 2007	Present Value of Minimum Payments 2007
	QR.	QR.	QR.	QR.
No later than 1 year	**92,823,120**	**89,675,753**	41,254,720	38,736,826
Later than 1 year and not later than 3 years	--	--	51,568,400	45,465,760
	92,823,120	**89,675,753**	92,823,120	84,202,586
Less future finance charges	**(3,147,367)**	--	(8,620,534)	--
Present value of minimum payments	**89,675,753**	**89,675,753**	84,202,586	84,202,586
		*		*

* These amounts are included under other liabilities.

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. 203,146,233 (refer to Note 16).

33. EXECUTIVES AND GENERAL MANAGERS' BONUS

As per the policy of the Company and the Board of Directors decision, a bonus of QR. 9,878,380 (2007: QR. 8,446,266) 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.

34. 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:

	2008 QR.	2007 QR.
Net profit for the year attributable to equity holders of parent	**153,875,770**	127,540,725
Adjusted weighted average number of shares	**93,151,688**	93,151,688
Basic earnings per share	**1.65**	1.37

There were no potentially dilutive shares outstanding at any time during the year and hence the diluted earnings per share is equal to the basic earnings per share.

35. CONTINGENT LIABILITIES

	2008 QR.	2007 QR.
Letters of credit	**82,996,333**	68,579,533
Letters of guarantee	**350,098,032**	166,718,104

Salam International Investment Limited has given guarantees on behalf of Qatar German Switchgear Company (QGC) for the latters banking facilities of which an amount of QR. 12,510,800 is outstanding as at December 31, 2008 (December 31, 2007: QR. 2,973,690).

By end of 2007, Salam International Investment Limited had 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 Qatar 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 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.

On January 20, 2009 Electro Kavir Company agreed to sell its full share in Qatar German Switchgear Company to Salam International Investment Limited and one of its subsidiaries. Electro Kavir Company agreed to waive, strike, and cease the procedures taking place in the court.

36. 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 prices approved by the Company's management.

Amounts due from and due to related parties are disclosed in Note 6. During the year, the subsidiaries of the Company entered into the following trading transactions with related parties that are not members of the Group:

	2008	2007
	QR.	QR.
Revenue	**3,752,982**	5,796,247
Cost of sales	**4,389,085**	8,959,217
Rental income from investment property	**13,319,860**	10,684,727
Other income	**410,363**	485,153
Other expenses	**1,300,452**	1,212,880
Purchase of land	**85,247,436**	--
Loan to related party	**14,600,000**	--

37. COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2008	2007
	QR.	QR.
Short-term benefits		
Executives and General Managers' profit share	**9,878,380**	8,446,266
Other short-term benefits	**23,251,331**	16,552,377
Proposed directors' remuneration	**2,750,000**	2,750,000
	35,879,711	27,748,643
Long-term benefits	**946,997**	586,696
Total	**36,826,708**	28,335,339

38. SEGMENTAL INFORMATION

For management purposes, the Company is organised into six types of activities. The transactions between segments are conducted at estimated market rates as determined by management and are eliminated on consolidation. The following table shows the distribution of the Company's revenue, expenditure and certain assets and liabilities.

	Contracting	Interiors	Energy & Power	Consumer and Luxury products	Technology and Tele-communication	Real Estate and Investments	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.
For the year ended December 31, 2008							
Operating income							
From external customers	433,317,116	222,627,463	262,316,670	650,402,065	178,867,816	4,353,136	**1,751,884,266**
Inter-segment	16,309,499	13,497,078	424,824	6,224,799	5,270,875	11,532,510	**53,259,585**
Total revenue	**449,626,615**	**236,124,541**	**262,741,494**	**656,626,864**	**184,138,691**	**15,885,646**	**1,805,143,851**
Results							
Segment results	5,404,850	34,864,946	20,761,370	11,394,088	17,932,175	67,451,964	**157,809,393**
Net profit							**157,809,393**
Assets and liabilities							
Segment assets	312,815,946	163,563,338	169,599,619	965,197,968	176,916,762	976,014,283	**2,764,107,916**
Segment liabilities	224,394,555	119,802,924	115,854,262	276,341,770	109,596,045	431,702,024	**1,277,691,580**
Other segment information							
Capital expenditures:							
Tangible assets	15,696,415	15,793,752	5,466,420	79,556,302	2,112,228	110,005,868	**228,630,985**
Intangible assets	--	--	--	691,151	--	--	**691,151**
	15,696,415	**15,793,752**	**5,466,420**	**80,247,453**	**2,112,228**	**110,005,868**	**229,322,136**
Depreciation	8,398,151	3,406,732	1,305,982	26,664,488	856,575	4,676,647	**45,308,575**
Amortisation	319,389	186,970	379,536	566,624	380,398	1,339,888	**3,172,805**

38. SEGMENTAL INFORMATION (CONTINUED)

	Contracting	Interiors	Energy & Power	Consumer and Luxury products	Technology and Tele-communication	Real Estate and Investments	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.
For the year ended December 31, 2007							
Operating income							
From external customers	279,948,931	153,760,443	203,994,470	492,483,074	219,669,905	2,430,476	**1,352,287,299**
Inter-segment	6,476,126	4,795,633	100,574	5,957,320	1,965,755	7,646,968	**26,942,376**
Total revenue	**286,425,057**	**158,556,076**	**204,095,044**	**498,440,394**	**221,635,660**	**10,077,444**	**1,379,229,675**
Results							
Segment results	3,187,852	25,371,956	9,244,415	35,989,532	25,302,744	29,439,150	**128,535,649**
Net profit							**128,535,649**
Assets and liabilities							
Segment assets	243,495,096	118,598,542	135,014,684	862,218,361	147,208,553	861,719,647	**2,368,254,883**
Segment liabilities	174,174,240	66,819,212	89,577,398	238,623,885	73,544,691	381,747,890	**1,024,487,316**
Other segment information							
Capital expenditures:							
Tangible assets	22,011,583	2,083,373	2,277,563	73,486,890	2,522,939	95,284,931	**197,667,279**
Intangible assets	--	--	--	1,213,656	--	--	**1,213,656**
	22,011,583	**2,083,373**	**2,277,563**	**74,700,546**	**2,522,939**	**95,284,931**	**198,880,935**
Depreciation	3,880,557	2,881,222	970,456	18,140,688	889,859	3,675,630	**30,438,412**
Amortisation	319,611	187,078	379,802	341,639	380,690	1,343,573	**2,952,393**

39. 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.

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, 2008.

	2008		2007	
	QR.		QR.	
Increase / decrease in basis points	+100	-100	+100	-100
Effect on profit for the year	3,366,950	(3,366,950)	3,557,058	(3,557,058)

Credit risk

The Company's principal financial assets subject to credit risk 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.

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.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 and trading 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 6,940,458 in the assets and equity of the Company.

A 10% increase or decrease in market values of the Company's portfolio of trading investment is expected to result in an increase or decrease of QR. 613,876 in the assets and profit of the Company.

Capital risk management
The Company manages its capital to ensure that it will be able to continue on a going concern basis while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2007.

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

	2008	2007
	QR.	QR.
Debt (i)	**310,086,968**	267,739,685
Cash and cash equivalents	**36,466,114**	97,596,823
Net debt	**346,553,082**	365,336,508
Equity (ii)	**1,478,135,902**	1,339,712,653
Net debt to equity ratio	**23.44%**	27.27%

(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.

40. 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 on contracts in progress as of December 31st 2008. 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 provision for 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 or significant decline. Management estimates the value of impairment and the same is charged in the income statement.