

**Salam International Investment Limited Q.P.S.C.**

**Consolidated financial statements**

**31 December 2016**

**Salam International Investment Limited Q.P.S.C.**

**Consolidated financial statements  
For the year ended 31 December 2016**

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KPMG  
25 C Ring Road  
PO Box 4473, Doha  
State of Qatar  
Telephone: +974 4457 6444  
Fax: 974 4442 5626  
Website: www.kpmg.com.qa

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Salam International Investment Limited Q.P.S.C.

### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

We have audited the accompanying consolidated financial statements of Salam International Investment Limited Q.P.S.C. (the 'Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### *Basis for Opinion*

We conducted our audit in accordance with International standard on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Company's consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**INDEPENDENT AUDITOR'S REPORT (Continued)**

*Emphasis of Matter - Litigation*

We draw attention to Note 40 of the consolidated financial statements with regard to a court verdict issued by the Court of Cassation on 4 June 2013 overturning the Court of Appeal's verdict issued on 23 January 2013 which invalidated the executive merger procedures involving the Company in 2002 and 2005, without compromising the authenticity and legality of these decisions in terms of subject or form. Furthermore, the Court of Cassation requested the Court of Appeal for a retrial with a new committee of different judges. The Court of Appeal appointed a committee of experts to study and report about the mergers referred to above. On 23 January 2017, the Court of Appeal issued a ruling, which upheld the Court of Appeal's verdict issued on 23 January 2013. However, the Company decided to appeal before Court of Cassation against the Court of Appeal ruling on 23 January 2017. Currently, the accompanying consolidated financial statements are prepared on a similar basis, as in prior periods, including its subsidiaries acquired in the mergers referred to above.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Depreciation and impairment of investment properties</u> – refer to Note 9 and 39 in the consolidated financial statements.	<u>How the matter was addressed in our audit</u>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• Investment properties of QR: 1,568,859,469 represent 30% of the Group's total assets as at 31 December 2016, and form a material portion of the consolidated statement of financial position.</li> <li>• The Group makes complex and subjective judgements over estimation of the useful life of investment properties and assessment of indicators of impairment.</li> </ul>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>- Evaluating the key controls related to investment properties including the controls over the base data used in the estimation of useful life;</li> <li>- Evaluating the recognition criteria applied to the costs incurred and capitalised during the financial year against the requirements of the relevant accounting standards;</li> <li>- Assessing the depreciation method used and the appropriateness of the key assumptions based on our knowledge;</li> <li>- Recalculation of the depreciation charges and comparison with the actual depreciation charges for the year;</li> <li>- Critically challenging the Group's assessment of possible internal (physical damages) and external (decline in value) indications of impairment in relation to the investment properties including the comparison with fair value determined by independent valuers;</li> <li>- We assessed the adequacy of the Group's disclosure in relation to the depreciation, impairment and fair valuation of investment properties by reference to the requirements of the relevant accounting standards.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT (Continued)**

<u>Valuation of inventories and provision for slow moving inventories</u> – refer to Note 16 and 39 in the consolidated financial statements.	<u>How the matter was addressed in our audit</u>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• The inventories of QR: 535,417,086 representing 10% of the Group's total assets as at 31 December 2016, hence a material portion of the consolidated statement of financial position.</li> <li>• The Group makes significant judgement in estimating the net realizable value of inventories along with the assessment of the level of inventory provision required in respect of slow moving inventories.</li> </ul>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>- Evaluating the key controls in the identification of slow moving inventories and valuations of inventories;</li> <li>- Testing the ageing of inventories in the Group's main trading subsidiaries on a sample basis;</li> <li>- Assessing the appropriateness of the provisioning policies in the Group's main trading subsidiaries by reference to industry practices and comparing the consistency with the historical data on provisioning;</li> <li>- Testing sales subsequent to the year-end for sample of inventory items to check whether sale price were higher than the reported carrying values of such inventory items;</li> <li>- We assessed the adequacy of the Group's disclosure in relation to the valuation of inventories by reference to the requirements of the relevant accounting standards.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT (Continued)**

<p><u>Revenue recognition on contracts and excess of revenue over billings from contract works - refer to Note 6, 28 and 39 in the consolidated financial statements.</u></p>	<p>How the matter was addressed in our audit</p>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• The contract revenue of QR: 1,629,337,903 representing 56% of the Group's total operating revenue for the year ended 31 December 2016, hence a material portion of the consolidated statement of profit or loss and excess of revenue over billings from contract works of QR 699,227,470 representing 13% of the Groups total assets as at 31 December 2016, hence a material portion of the consolidated statement of financial position.</li> <li>• The Group makes significant judgement in estimating the percentage of completion of each contract in arriving at the contract revenue and consequently contract related excess of revenue over billings.</li> </ul>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>- Evaluating the key controls in revenue recognition process including the quarterly preparation of project cost estimation and progress claim certification and the approval process;</li> <li>- We read all key contracts and discussed each with the Group to obtain full understanding of the specific terms and risk;</li> <li>- Assessing the recoverability of excess of revenue over billing from contract works by reference to the contract terms and the progress status of the contracts;</li> <li>- We challenged the Group in respect of the reasonableness of estimates made regarding the cost of completion, profit margins for each contract and consideration of effect of contract variations and likely cost overruns, if any;</li> <li>- Assessing whether the Group's policies and processes for making these estimates continue to be appropriate and are applied consistently to all contracts of a similar nature;</li> <li>- Assessing the adequacy of the Group's disclosure in relation to revenue recognition on contracts and related excess of revenue over billings by reference to the requirements of the relevant accounting standards.</li> </ul>

*Other Information*

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's 2016 Annual Report (the 'Annual Report') but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the report of the Board of Directors which forms part of the Annual Report, and the remaining sections of the Annual Report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



## INDEPENDENT AUDITOR'S REPORT (Continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Board of Directors for the Consolidated Financial Statements*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### *Auditor's responsibility for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of these consolidated financial statements.

As part of an audit in accordance with the ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



## INDEPENDENT AUDITOR'S REPORT (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and the timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of inventories was carried out in accordance with established principles. We have read the report of the Board of Directors to be included in the Annual Report, and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2016.

6 February 2017  
Doha  
State of Qatar

Yacoub Hobeika  
KPMG  
Audit registration number 289



Salam International Investment Limited Q.P.S.C.

Consolidated statement of financial position  
As at 31 December 2016

In Qatari Riyals

		2016	2015
	<b>Note</b>		
<b>Assets</b>			
Property, plant and equipment	8	492,919,714	486,752,896
Investment properties	9	1,568,859,469	1,521,804,380
Intangible assets	10	101,020,302	112,843,221
Investment in associates	11	77,762,174	94,957,541
Investments in joint ventures	12	52,858,373	53,951,142
Available-for-sale investments	13	166,917,235	169,935,422
Retention receivables	14(a)	108,416,590	89,934,832
Loans to associate companies		24,696,029	5,753,603
Other assets	15	11,993,327	11,948,638
<b>Non-current assets</b>		<b><u>2,605,443,213</u></b>	<b><u>2,547,881,675</u></b>
Inventories	16	535,417,086	581,145,226
Other assets	15	173,545,196	129,594,696
Due from related parties	17(a)	227,567,954	227,958,837
Retention receivables	14(a)	106,316,103	72,298,380
Excess of revenue over billings from contract works		699,227,470	455,518,019
Investments at fair value through profit or loss	18	1,754,712	1,897,980
Trade and other receivables	19	628,626,746	496,849,928
Cash and bank balances	20	267,771,222	351,746,562
<b>Current assets</b>		<b><u>2,640,226,489</u></b>	<b><u>2,317,009,628</u></b>
<b>Total assets</b>		<b><u>5,245,669,702</u></b>	<b><u>4,864,891,303</u></b>

The notes from 1 to 41 form an integral part of these consolidated financial statements.

Salam International Investment Limited Q.P.S.C.

Consolidated statement of financial position (continued)  
As at 31 December 2016

In Qatari Riyals

	Note	2016	2015
<b>Equity</b>			
Share capital	21	1,143,145,870	1,143,145,870
Legal reserve	22	431,181,937	419,761,184
Fair value reserve		(5,380,236)	(2,993,007)
Proposed cash dividend	35	91,451,670	114,314,587
Retained earnings		17,808,273	9,623,759
<b>Total equity attributable to owners of the Company</b>		<b>1,678,207,514</b>	<b>1,683,852,393</b>
Non-controlling interests	23	156,965,999	165,710,252
<b>Total equity</b>		<b>1,835,173,513</b>	<b>1,849,562,645</b>
<b>Liabilities</b>			
Borrowings	24	1,284,811,669	1,324,255,539
Employees' end of service benefits	25	72,727,533	68,390,288
Retention payables	14(b)	15,978,358	13,603,158
Other liabilities		15,078,453	8,459,490
Notes payable		1,415,316	175,634
<b>Non-current liabilities</b>		<b>1,390,011,329</b>	<b>1,414,884,109</b>
Due to related parties	17(b)	2,299,720	3,036,189
Bank overdrafts	20	82,032,035	79,411,457
Borrowings	24	1,006,244,714	769,473,784
Notes payable		7,449,343	3,802,124
Retention payables	14(b)	24,699,589	19,657,028
Advances from customers		234,354,891	142,521,227
Excess of billings over revenues from contract works		57,738,981	77,690,115
Other liabilities	26	283,007,873	214,857,004
Trade and other payables		322,657,714	289,995,621
<b>Current liabilities</b>		<b>2,020,484,860</b>	<b>1,600,444,549</b>
<b>Total liabilities</b>		<b>3,410,496,189</b>	<b>3,015,328,658</b>
<b>Total equity and liabilities</b>		<b>5,245,669,702</b>	<b>4,864,891,303</b>

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 6 February 2017.

Issa Abdul Salam Abu Issa  
Chairman and Chief Executive Officer

Hekmat Abdel Fattah Younis  
Chief Financial Officer



The notes from 1 to 41 form an integral part of these consolidated financial statements.

Salam International Investment Limited Q.P.S.C.

Consolidated statement of profit or loss  
For the year ended 31 December 2016

In Qatari Riyals

	Note	2016	2015
Operating revenue	28	2,912,822,805	2,591,637,496
Operating cost	29	(2,176,074,127)	(1,922,434,779)
<b>Gross profit</b>		<b>736,748,678</b>	<b>669,202,717</b>
Investment income	30	23,418,544	76,119,801
Other operating income		6,768,585	3,520,217
Service and consultancy income		5,701,436	5,171,414
Other income	31	26,077,292	27,758,942
Share of result from joint ventures, net	12	2,877,154	5,562,031
Share of result from associates, net	11	(10,296,065)	2,093,297
Salaries and staff benefits		(291,242,897)	(307,866,358)
General and administrative expenses	32	(215,295,877)	(195,588,789)
Amortisation of intangible assets	10	(3,577,417)	(4,885,151)
Depreciation of property, plant and equipment	8(iii)	(72,937,670)	(76,478,431)
Impairment of available-for-sale investments	13(b)	(934,586)	-
Finance costs		(76,028,296)	(70,916,001)
Profit before executive managers' bonus		131,278,881	133,693,689
Executive managers' bonus	17(c)	(9,359,571)	(7,610,386)
Proposed Directors' remuneration	17(c)	(2,200,000)	(2,200,000)
<b>Profit</b>		<b>119,719,310</b>	<b>123,883,303</b>
<b>Attributable to:</b>			
Owners of the Company		114,207,525	113,199,212
Non-controlling interests	23	5,511,785	10,684,091
<b>Profit</b>		<b>119,719,310</b>	<b>123,883,303</b>
<b>Basic and diluted earnings per share</b>	34	<b>1.00</b>	<b>0.99</b>



The notes from 1 to 41 form an integral part of these consolidated financial statements.

Salam International Investment Limited Q.P.S.C.

Consolidated statement of profit or loss and other comprehensive income  
For the year ended 31 December 2016

In Qatari Riyals

	Note	2016	2015
<b>Profit</b>		<b>119,719,310</b>	123,883,303
<b>Other comprehensive income:</b>			
Net movement in cumulative changes in fair value of available-for-sale investments	13(c)	<u>(2,387,229)</u>	<u>(8,200,533)</u>
<b>Other comprehensive income</b>		<b><u>(2,387,229)</u></b>	<b><u>(8,200,533)</u></b>
<b>Total comprehensive income</b>		<b><u>117,332,081</u></b>	<b><u>115,682,770</u></b>
<b>Attributable to:</b>			
Owners of the Company		111,820,296	104,998,679
Non-controlling interests		<u>5,511,785</u>	<u>10,684,091</u>
<b>Total comprehensive income</b>		<b><u>117,332,081</u></b>	<b><u>115,682,770</u></b>

The notes from 1 to 41 form an integral part of these consolidated financial statements.

Salam International Investment Limited Q.P.S.C.

Consolidated statement of changes in equity  
For the year ended 31 December 2016

In Qatari Riyals

Attributable to owners of the Company

31 December 2016	Share capital	Legal reserve	Fair value reserve	Proposed cash dividend	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	1,143,145,870	419,761,184	(2,993,007)	114,314,587	9,623,759	1,683,852,393	165,710,252	1,849,562,645
<b>Profit</b>	-	-	-	-	114,207,525	114,207,525	5,511,785	119,719,310
<b>Other comprehensive income</b>								
Net movement in cumulative changes in fair value of available-for-sale investments	-	-	(2,387,229)	-	-	(2,387,229)	-	(2,387,229)
<b>Total comprehensive income</b>	-	-	(2,387,229)	-	114,207,525	111,820,296	5,511,785	117,332,081
Cash dividend paid	-	-	-	(114,314,587)	-	(114,314,587)	-	(114,314,587)
Proposed cash dividend (Note 35)	-	-	-	91,451,670	(91,451,670)	-	-	-
Transfer to legal reserve	-	11,420,753	-	-	(11,420,753)	-	-	-
Contribution to social and sports fund (Note 33)	-	-	-	-	(2,855,188)	(2,855,188)	-	(2,855,188)
Disposal of a subsidiary (Note 27)	-	-	-	-	-	-	(9,749,303)	(9,749,303)
Acquisition – Additional purchase of subsidiary shares (Note 27)	-	-	-	-	(295,400)	(295,400)	(3,984,740)	(4,280,140)
Net movement in non-controlling interests	-	-	-	-	-	-	(521,995)	(521,995)
<b>Balance at 31 December 2016</b>	<b>1,143,145,870</b>	<b>431,181,937</b>	<b>(5,380,236)</b>	<b>91,451,670</b>	<b>17,808,273</b>	<b>1,678,207,514</b>	<b>156,965,999</b>	<b>1,835,173,513</b>

The notes from 1 to 41 form an integral part of these consolidated financial statements.

**Salam International Investment Limited Q.P.S.C.**

**Consolidated statement of changes in equity (continued)  
For the year ended 31 December 2016**

In Qatari Riyals

31 December 2015	Attributable to owners of the Company							Total equity
	Share capital	Legal reserve	Fair value reserve	Proposed cash dividend	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2015	1,143,145,870	408,441,263	5,207,526	68,588,752	25,583,412	1,650,966,823	179,055,269	1,830,022,092
Profit	-	-	-	-	113,199,212	113,199,212	10,684,091	123,883,303
Other comprehensive income	-	-	-	-	-	-	-	-
Net movement in cumulative changes in fair value of available-for-sale investments	-	-	(8,200,533)	-	-	(8,200,533)	-	(8,200,533)
Total comprehensive income	-	-	(8,200,533)	-	113,199,212	104,998,679	10,684,091	115,682,770
Cash dividend paid	-	-	-	(68,588,752)	-	(68,588,752)	-	(68,588,752)
Proposed cash dividend (Note 35)	-	-	-	114,314,587	(114,314,587)	-	-	-
Transfer to legal reserve	-	11,319,921	-	-	(11,319,921)	-	-	-
Contribution to social and sports fund (Note 33)	-	-	-	-	(2,829,980)	(2,829,980)	-	(2,829,980)
Acquisition – Additional purchase of subsidiary shares (Note 27)	-	-	-	-	(694,377)	(694,377)	(24,189,115)	(24,883,492)
Net movement in non-controlling interests	-	-	-	-	-	-	160,007	160,007
Balance at 31 December 2015	1,143,145,870	419,761,184	(2,993,007)	114,314,587	9,623,759	1,683,852,393	165,710,252	1,849,562,645

The notes from 1 to 41 form an integral part of these consolidated financial statements.

Salam International Investment Limited Q.P.S.C.

Consolidated statement of cash flows  
For the year ended 31 December 2016

In Qatari Riyals

	Note	2016	2015
<b>Cash flows from operating activities</b>			
Profit		119,719,310	123,883,303
Adjustments for :			
- Provision for doubtful trade receivables	19	5,322,849	6,415,671
- Provision for slow moving inventories	16	5,148,313	2,922,073
- Gain on sale of available-for-sale investments	30	(27,865)	(564,702)
- Impairment of available-for-sale investments	13	934,586	-
- Unrealised loss on investments at fair value through profit or loss	30	310,915	723,040
- Amortisation of intangible assets	10	3,577,417	4,885,151
- Depreciation of investment properties	9	29,618,759	26,937,819
- Depreciation of property, plant and equipment	8	89,248,081	87,965,650
- Profit on disposal of a subsidiary	30	(16,576,045)	-
- Gain on sale of property, plant and equipment	31	(224,955)	(231,023)
- Property, plant and equipment written off	32	3,333,012	1,876,487
- Gain on sale of investment in an associate	30	-	(62,079,993)
- Provision for employees' end of service benefits	25	17,769,344	15,525,021
- Finance costs		76,028,296	70,916,001
- Interest income	30	(5,388,559)	(12,567,398)
- Dividend income	30	(1,736,990)	(1,630,748)
- Share of results from investments in associates	11	10,296,065	(2,093,297)
- Share of result from investment in joint ventures	12	(2,877,154)	(5,562,031)
<b>Operating profit before working capital changes</b>		<b>334,475,379</b>	<b>257,321,024</b>
Changes in:			
- Inventories		40,579,827	(111,530,536)
- Other assets		(43,995,189)	(6,010,475)
- Due from related parties		(4,240,206)	(49,947,616)
- Retentions receivables		(52,499,481)	(33,835,004)
- Excess of revenue over billings from contract works		(247,082,985)	28,289,918
- Trade and other receivables		(151,423,297)	(62,188,189)
- Due to related parties		24,056,972	1,546,221
- Net movement in notes payable		4,886,901	(3,872,271)
- Retention payables		7,417,761	(2,064,011)
- Advances from customers		91,833,664	11,956,086
- Excess of billings over revenue from contract works		(19,951,134)	28,567,421
- Trade and other payables and other liabilities		113,546,375	(5,782,289)
Cash generated from operating activities		97,604,587	52,450,279
Employees' end of service benefits paid	25	(11,352,413)	(11,143,607)
<b>Net cash from operating activities</b>		<b>86,252,174</b>	<b>41,306,672</b>

The notes from 1 to 41 form an integral part of these consolidated financial statements.

Salam International Investment Limited Q.P.S.C.

Consolidated statement of cash flows (continued)  
For the year ended 31 December 2016

In Qatari Riyals

	Note	2016	2015
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant and equipment	8	(113,205,557)	(82,975,687)
Proceeds from sale of property, plant and equipment		10,905,226	6,077,738
Payments for purchase of investment properties	9	(76,673,848)	(62,569,008)
Payments for purchase of available - for - sale investments	13	(1,398,165)	(14,638,122)
Proceeds from sale of available- for- sale investments		1,122,402	1,633,553
Net movement in intangible assets	10	(15,980,223)	(12,220,160)
Purchase of investments at fair value through profit or loss		(167,647)	-
Proceeds from sale of investment in an associate		-	65,390,464
Purchase of investments in associates	11	(1,504,170)	(2,530,439)
Proceeds on sale of a subsidiary – net of cash	27	21,442,653	-
Purchase of investments in joint ventures	12	-	(10,930,693)
Payment for acquisition of additional shares of a subsidiary	27	(4,280,140)	(24,883,492)
Dividends received from an associate	11	5,017,616	10,018,874
Dividends received from joint venture	12	3,969,923	-
Dividends received	30	1,736,990	1,630,748
Interest received	30	5,388,559	12,567,398
<b>Net cash used in investing activities</b>		<b>(163,626,381)</b>	<b>(113,428,826)</b>
<b>Cash flows from financing activities</b>			
Net movement in borrowings		200,585,593	154,597,985
Net movement in non-controlling interests	23	(521,995)	160,007
Finance costs paid		(76,028,296)	(70,916,001)
Loan to associate companies		(18,942,426)	13,585,315
Dividends paid		(114,314,587)	(68,588,752)
<b>Net cash (used in) / from financing activities</b>		<b>(9,221,711)</b>	<b>28,838,554</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(86,595,918)</b>	<b>(43,283,600)</b>
Cash and cash equivalents at 1 January		272,335,105	315,618,705
<b>Cash and cash equivalents at 31 December</b>	<b>20</b>	<b>185,739,187</b>	<b>272,335,105</b>

The notes from 1 to 41 form an integral part of these consolidated financial statements.



## **1 Reporting entity**

Salam International Investment Limited Q.P.S.C. (the "Company or SIIL") is a public shareholding company incorporated in the State of Qatar under Amiri Decree No. (1) on 14 January 1998. The registered address of the Company is PO Box 15244, Doha, State of Qatar. The commercial registration number of the Company is 20363.

These consolidated financial statements as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as "the Group" and individually "Group entities") and the Group's investment in associates and jointly controlled entities.

The main activities of the Company are to establish, incorporate, acquire, and own enterprises in the contracting, energy and industry, consumer and luxury products, technology, real estate and development sectors, and to invest in securities in local and overseas market.

In line with the Qatar Commercial Companies Law No. 11 of 2015, the management of the Company is in the process of changing the legal status of the Company in the Commercial Registration from Qatari Shareholding Company (Q.S.C.) to Qatari Public Shareholding Company (Q.P.S.C.). The Company has already amended the Articles of Association to incorporate the change in the legal status to Qatari Public Shareholding Company (Q.P.S.C.).

## **2 Basis of accounting**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). They were authorised for issue by the Company's board of directors on 6 February 2017. The details of the Group accounting policies are included in note 6.

## **3 Functional and presentation currency**

These consolidated financial statements are presented in Qatari Riyals, which is the Company's functional currency. All amounts have been rounded to the nearest Qatari Riyal, unless otherwise indicated.

## **4 Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments and investments at fair value through profit or loss which are carried at fair value.

## **5 Use of estimates and judgements**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included in note 39 to these consolidated financial statements.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2016**

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**6 Significant accounting policies**

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements:

**(a) Basis of consolidation**

**i) Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

**ii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Details of changes in Group's subsidiaries during the year ended 31 December 2016 are disclosed in note 27.

**iii) Non- controlling interests**

Non - controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**6 Significant accounting policies (continued)**

**(a) Basis of consolidation (continued)**

**iv) Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**v) Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

**vi) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currency**

**Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currency of the Group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

**6 Significant accounting policies (continued)**

**(b) Foreign currency (continued)**

**Foreign currency transactions (continued)**

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective

**Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**(c) Revenue**

**Sale of goods**

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

**6 Significant accounting policies (continued)**

**(c) Revenue (continued)**

**Rendering of services**

If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

**Construction contracts**

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to cost incurred to estimated costs. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

**Rental income**

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognised as other income.

**Dividend and interest**

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.

**Salam International Investment Limited Q.P.S.C.**

**Notes to the consolidated financial statements  
For the year ended 31 December 2016**

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**6 Significant accounting policies (continued)**

**(d) Property, plant and equipment**

*Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

*Subsequent expenditure*

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

*Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Building	10-20 years
Leasehold improvement	3-4 years
Furniture and fixtures	4-7 years
Motor vehicles	5 years
Equipment and tools	3-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

*Capital work in progress*

Capital work in progress represents projects in the course of construction for the purposes of use in future. Capital work in progress is carried at cost, less any recognized impairment loss. Upon completion these projects will be transferred to property, plant and equipment.

**6 Significant accounting policies (continued)**

**(e) Intangible assets**

*Recognition and measurement*

*Goodwill*

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

*Research and development*

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

*Other intangible assets*

Other intangible assets, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*Amortisation*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

Development cost	3-5 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(f) Investment property**

*Recognition and measurement*

Land and building is considered as investment properties only when they are held to earn rentals or for long term capital appreciation or both.

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the assets and excludes the cost of day to day servicing of an investment property.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use. Profits and losses on disposal of investment properties are determined by comparing the proceeds from their disposal with their respective carrying amounts, and recognised net within profit or loss.

**6 Significant accounting policies (continued)**

**(f) Investment property (continued)**

*Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

*Depreciation*

Land is not depreciated. Depreciation on buildings classified as investment properties is calculated to write off the cost of buildings less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of investment properties for the current and comparative periods are as follows:

Buildings	10-23 years
Salam Tower and The Gate	50 years
Salam Plaza	10-20 years

Depreciation methods, useful lives and residual values reviewed at each reporting date and adjusted if appropriate.

*Capital work in progress*

Property that is being constructed for future use as investment property is accounted for as investment property. Property under construction is designated as investment property only if there are unambiguous plans by management to subsequently utilize the property for rental activities upon completion of development.

**(g) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of any outstanding bank overdrafts.

**(h) Construction contracts in progress**

Construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses.

In the statement of financial position, construction contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as due from customers for contract work. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as due to customers for contract works. Advances received from customers are presented as deferred income/revenue.

**(i) Financial instruments**

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into other financial liabilities category.



**6 Significant accounting policies (continued)**

**(i) Financial instruments (continued)**

**Non-derivative financial assets and financial liabilities – recognition and derecognition**

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**Non-derivative financial assets – measurement**

*Financial assets at fair value through profit or loss*

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

*Held-to-maturity financial assets*

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

*Loans and receivables*

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

*Available-for-sale financial assets*

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

**6 Significant accounting policies (continued)**

**(i) Financial instruments (continued)**

**Non-derivative financial liabilities – measurement**

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

**(j) Impairment**

**Non-derivative financial assets**

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

*Financial assets measured at amortised cost*

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

**6 Significant accounting policies (continued)**

**(j) Impairment (continued)**

**Non-derivative financial assets (continued)**

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

*Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

*Equity-accounted investees*

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

**Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property and inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

**6 Significant accounting policies (continued)**

**(j) Impairment (continued)**

**Non-financial assets (continued)**

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(k) Provision**

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(l) Leases**

**Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

**Leased assets**

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

**6 Significant accounting policies (continued)**

**(l) Leases (continued)**

**Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**(m) Operating profit**

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

**(n) Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value had bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

**6 Significant accounting policies (continued)**

**(n) Fair value measurement (continued)**

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or a liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

**(o) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

**(p) Employees' end of service benefits**

The Group provides end of service benefits to its expatriate employees in accordance with Qatar labour law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the General Pension Fund Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

**(q) New standards, amendments and interpretations effective from 1 January 2016**

The following standards, amendments and interpretations, which became effective as of 1 January 2016, and are relevant to the Group.

*Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. The amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The adoption of these amendments had no significant impact on the consolidated financial statements.

**6 Significant accounting policies (continued)**

**(q) New standards, amendments and interpretations effective from 1 January 2016 (continued)**

*Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).*

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The adoption of these amendments had no significant impact on the consolidated financial statements.

*Annual Improvements to IFRSs 2012–2014 Cycle – various standards.*

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The adoption of these amendments had no significant impact on the consolidated financial statements.

The following are the key amendments in brief:

- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute ‘continuing involvement’ and, therefore, whether the asset qualifies for derecognition
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise
- IAS 34 – what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’ and adds a requirement to cross-reference from the interim financial statements to the location of that information.

*Disclosure Initiative (Amendments to IAS 1).*

The amendments to IAS 1 *Presentation of Financial Statements* are made in the context of the IASB’s Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- **Materiality** – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

**6. Significant accounting policies (continued)**

**(q) New standards, amendments and interpretations effective from 1 January 2016 (continued)**

*Disclosure Initiative (Amendments to IAS 1).(continued)*

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The adoption of these amendments had no significant impact on the consolidated financial statements.

**(r) New standards, amendments and interpretations issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

***Adoption expected to impact the consolidated financial statements***

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is currently performing an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

*Transition*

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements.



6. Significant accounting policies (continued)

(r) New standards, amendments and interpretations issued but not yet effective (continued)

***Adoption expected to impact the consolidated financial statements(continued)***

*IFRS 9 Financial Instruments*

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

*IFRS 16 Leases*

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group has started an initial assessment of the potential impact on its consolidated financial statements.

*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*

The IASB has made limited scope amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture.

**6. Significant accounting policies (continued)**

**(r) New standards, amendments and interpretations issued but not yet effective (continued)**

***Adoption expected to impact the consolidated financial statements(continued)***

*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). (Continued)*

The effective date for these changes has now been postponed until the completion of a broader review – which the IASB hopes will result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendment.

***Adoption not expected to impact the consolidated financial statements***

*Disclosure Initiative (Amendments to IAS 7)*

The amendments require disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The Group has not early adopted Disclosure Initiative (Amendments to IAS 7) in its consolidated financial statements for the year ended 31 December 2016.

*Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)*

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

*Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 *Share-based Payment*.

The amendments cover three accounting areas:

- measurement of cash-settled share-based payments;
- classification of share-based payments settled net of tax withholdings; and
- accounting for a modification of a share-based payment from cash-settled to equity-settled.

**6. Significant accounting policies (continued)**

**(r) New standards, amendments and interpretations issued but not yet effective (continued)**

***Adoption not expected to impact the consolidated financial statements (continued)***

*Classification and Measurement of Shared-based Payment Transactions (Amendments to IFRS 2).  
(Continued)*

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early, application is permitted if companies have the required information. The amendments are effective for annual periods commencing on or after 1 January 2018.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendment.

**7 Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk;

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## 7 Financial risk management (continued)

### i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

#### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

#### *Cash and cash equivalents*

The cash and cash equivalents are held with bank and financial institution counterparties, credit worthy and reputable banks in Qatar and GCC region with high credit ratings.

Further information about the Group's exposure to credit risk are provided in Note 38.

### ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Further information about the Group's exposure to liquidity risk are provided in Note 38.

### iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Further information about the Group's exposure to market risk are provided in Note 38.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The Group's exposure to currency risk on transactions with related parties and borrowings that are denominated in a currency other than the respective functional currency are limited to those currencies which are pegged against USD such as AED, RO, JD etc. The Group's exposure to other currency risk is minimal.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level.

**7 Financial risk management (continued)**

**iii) Market risk (continued)**

*Interest rate risk*

The Group adopts a policy of ensuring that majority of its interest rate risk exposure is at a fixed rate.

*Equity price risk*

Equity price risk is the risk that the fair values of equity decreases as a result of changes in price indices of investments in other entities' equity instruments as part of the Group's investment portfolio.

**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

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Notes to the consolidated financial statements  
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8 Property, plant and equipment

Cost	Land and building	Leasehold improvement	Furniture and fixtures	Motor vehicles	Equipment and tools	Capital work in progress	Total
Balance at 1 January 2015	270,933,123	93,116,926	365,181,728	42,530,126	211,947,333	14,530,676	998,239,912
Additions	12,426,455	5,122,886	6,885,073	5,301,962	33,730,610	19,508,701	82,975,687
Disposals / write off	(76,250)	(3,082,757)	(5,340,201)	(2,932,010)	(11,611,293)	(115,815)	(23,158,326)
Transfers	3,531,951	3,989,292	4,724,502	80,001	474,570	(12,800,316)	-
Balance at 31 December 2015	286,815,279	99,146,347	371,451,102	44,980,079	234,541,220	21,123,246	1,058,057,273
Balance at 1 January 2016	286,815,279	99,146,347	371,451,102	44,980,079	234,541,220	21,123,246	1,058,057,273
Additions	649,798	6,850,702	7,373,781	10,615,500	13,771,132	73,944,644	113,205,557
Disposals / write off	(205,140)	(2,943,965)	(15,669,677)	(3,571,434)	(12,799,090)	(2,228,695)	(37,418,001)
Transfers	1,614,501	1,392,287	4,398,143	-	614,423	(8,019,354)	-
Disposal on sale of a subsidiary (Note 27)	-	(2,727,964)	(1,614,910)	(355,800)	(8,509,532)	-	(13,208,206)
<b>Balance at 31 December 2016</b>	<b>286,874,438</b>	<b>101,717,407</b>	<b>365,938,439</b>	<b>51,668,345</b>	<b>227,618,153</b>	<b>84,819,841</b>	<b>1,120,636,623</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2015	63,891,575	41,176,031	230,128,660	33,207,987	130,369,598	-	498,773,851
Depreciation (iii)	11,415,535	10,271,798	37,685,888	3,752,899	24,839,530	-	87,965,650
Disposals / write off	(76,220)	(1,969,285)	(3,756,828)	(2,831,557)	(6,801,234)	-	(15,435,124)
Balance at 31 December 2015	75,230,890	49,478,544	264,057,720	34,129,329	148,407,894	-	571,304,377
Balance at 1 January 2016	75,230,890	49,478,544	264,057,720	34,129,329	148,407,894	-	571,304,377
Depreciation (iii)	11,405,444	11,050,028	34,238,561	6,476,764	26,077,284	-	89,248,081
Disposals / write off	-	(1,747,919)	(13,388,650)	(3,084,281)	(5,183,868)	-	(23,404,718)
Disposal on sale of a subsidiary (Note 27)	-	(1,239,376)	(1,035,954)	(291,635)	(6,863,866)	-	(9,430,831)
<b>Balance at 31 December 2016</b>	<b>86,636,334</b>	<b>57,541,277</b>	<b>283,871,677</b>	<b>37,230,177</b>	<b>162,437,444</b>	<b>-</b>	<b>627,716,909</b>
<b>Carrying amounts</b>							
<b>At 31 December 2016 (iv)</b>	<b>202,238,104</b>	<b>44,176,130</b>	<b>82,066,762</b>	<b>14,438,168</b>	<b>65,180,709</b>	<b>84,819,841</b>	<b>492,919,714</b>
At 31 December 2015	211,584,389	49,667,803	107,393,382	10,850,750	86,133,326	21,123,246	486,752,896

(i)&(ii)

**8 Property, plant and equipment (continued)**

- (i) This includes buildings costing QR 148,261,295 (2015: 148,261,295) that have been constructed on lands leased from the Governments of Qatar and Dubai, UAE.
- (ii) This also includes part of Salam Plaza Building and Land that is being utilized by the Group entities. This property along with Salam Plaza Land under investment properties (Note 9) are mortgaged in favor of one of the local banks as security for term loans.
- (iii) Depreciation charge has been allocated as follows:

	<b>2016</b>	2015
Operating cost (Note 29)	16,310,411	11,487,219
Depreciation expenses	<u>72,937,670</u>	<u>76,478,431</u>
	<b><u>89,248,081</u></b>	<b><u>87,965,650</u></b>

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

## 9 Investment properties

	Land and buildings in Qatar							Total
	Land in Palestine	Land and building in United Arab Emirates	Salam Tower	Salam Plaza	Villas	The Gate Towers and Mall	Property under development	
<b>Cost</b>								
Balance at 1 January 2015	4,795,529	187,413,622	87,088,451	258,140,587	-	1,042,560,951	3,332,965	1,583,332,105
Additions	21,887	26,763,315	-	-	-	-	35,783,806	62,569,008
Transfers	-	-	-	-	-	5,365,371	(5,365,371)	-
Balance at 31 December 2015	4,817,416	214,176,937	87,088,451	258,140,587	-	1,047,926,322	33,751,400	1,645,901,113
Balance at 1 January 2016	4,817,416	214,176,937	87,088,451	258,140,587	-	1,047,926,322	33,751,400	1,645,901,113
Additions	-	50,223,564	-	-	-	-	26,450,284	76,673,848
Transfers	-	-	-	-	33,751,400	-	(33,751,400)	-
<b>Balance at 31 December 2016</b>	<b>4,817,416</b>	<b>264,400,501</b>	<b>87,088,451</b>	<b>258,140,587</b>	<b>33,751,400</b>	<b>1,047,926,322</b>	<b>26,450,284</b>	<b>1,722,574,961</b>
<b>Accumulated depreciation</b>								
Balance at 1 January 2015	-	15,184,712	19,583,174	-	-	62,391,028	-	97,158,914
Depreciation	-	3,893,967	1,663,038	-	-	21,380,814	-	26,937,819
Balance at 31 December 2015	-	19,078,679	21,246,212	-	-	83,771,842	-	124,096,733
Balance at 1 January 2016	-	19,078,679	21,246,212	-	-	83,771,842	-	124,096,733
Depreciation	-	5,826,350	1,663,042	-	634,956	21,494,411	-	29,618,759
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>24,905,029</b>	<b>22,909,254</b>	<b>-</b>	<b>634,956</b>	<b>105,266,253</b>	<b>-</b>	<b>153,715,492</b>
<b>Carrying amounts</b>								
<b>At 31 December 2016</b>	<b>4,817,416</b>	<b>239,495,472</b>	<b>64,179,197</b>	<b>258,140,587</b>	<b>33,116,444</b>	<b>942,660,069</b>	<b>26,450,284</b>	<b>1,568,859,469</b>
At 31 December 2015	4,817,416	195,098,258	65,842,239	258,140,587	-	964,154,480	33,751,400	1,521,804,380
	(i)	(ii)	(iii)	(iv)	(v)	(iv)	(vi)	(vi)



**9 Investment properties (continued)**

(i) This land was acquired in Ramallah, Palestine 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 was QR 19,292,180 (2015: QR 19,477,128) based on a valuation carried out on 3 January 2017 by an independent external valuer based in Palestine.

(ii) These properties comprise the following:

(a) Four plots of land in Dubai, UAE. The fair value of the first plot of land was QR. 5,473,206 (2015: QR. 5,608,681) based on a valuation carried out on 2 January 2017 by an external independent valuer based in Dubai, UAE. The original cost of this plot of land was QR. 3,775,693 (2015: QR. 3,775,693).

The remaining represents the three plots of lands purchased during 2008 from Salam Bounian Development Company(Salam Bounian), an associate at the time of purchase and currently a subsidiary for QR. 85,922,962 as per the three "sale and development" agreements entered between the Company and Salam Bounian. According to these agreements, the Company purchased three plots of land in Jumeirah Village-Dubai, UAE, which were originally purchased by Salam Bounian from a developer in Dubai. The Company reimbursed Salam Bounian for the installments already made by them in addition to interest. The Company has paid the remaining installments directly to the developer in Dubai.

According to the agreements, if the Company decides to develop and sell these three plots, Salam Bounian will share 30% of the resulting net profit with the Company. 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. Title of these plots is still with the developer and expected to be transferred to Salam Bounian once the development in that area is completed. Pre-registration document were received in 2016 and the registration is under process.

The fair value of these three plots of land was QR. 86,855,145 (2015: QR 86,675,998) based on a valuation carried out on 2 January 2017 by an external independent valuer based in Dubai, UAE. The original cost of this plot of land was QR. 85,922,962 (2015: QR 85,922,962).

b) Building at Dubai Investment Park – This building is being leased as business office and warehouse. The fair value of this property was QR. 74,257,426 (2015: QR 74,504,950) based on a valuation carried out on 2 January 2017 by an external independent valuer based in Dubai, UAE. The net book value of this building is QR 57,775,041 (2015: QR 61,294,969).

c) Grosvenor Business Bay Tower 1 – This represents one floor of office leased to third parties. The fair value of this property was QR 25,633,406 (2015: QR 25,828,584) based on a valuation carried out on 2 January 2017 by an external independent valuer based in Dubai, UAE. The net book value of this building is QR 24,174,143 (2015: QR 24,693,115).

d) Al-Quoz labour camp in Dubai – This labour camp is purchased in 2015 and leased to a third party. The fair value of this property was QR 21,881,188 (2015: QR 20,049,505) based on a valuation carried out on 2 January 2017 by an external independent valuer based in Dubai, UAE. The net book value of this building is QR 18,440,543 (2015: QR 19,411,519).

**9 Investment properties (continued)**

- e) Al-Quoz labour camp in Dubai – This labour camp is purchased in 2016 and leased to a third party. The fair value of this property was QR 58,217,822 (2015: Nil) based on a valuation carried out on 2 January 2017 by an external independent valuer based in Dubai, U.A.E. The net book value of this building is QR 49,407,090 (2015: Nil).
- (iii) Salam Tower is located at West Bay, Doha – State of Qatar and is leased as office property. The fair value of Salam Tower was QR. 424,401,000 (2015: QR. 441,177,000) based on a valuation carried out on 31 December 2016 by an external independent valuer.
- (iv) This represents “Salam Plaza” and “The Gate Towers and Mall”. The fair value of these properties was QR 2,023,206,000 (2015: QR. 2,025,118,000) based on valuations carried out on 31 December 2016 by an independent external valuer based in Doha – Qatar. The carrying amount of these properties as at 31 December 2016 was QR. 1,312,584,754 (2015: QR. 1,335,270,853), out of which QR 111,784,098(2015: QR 112,975,786) are owner occupied and classified under property, plant and equipment. The title deeds of the lands are registered in the name of the Company.

This property is held as security by one of the local banks against a loan facility advanced to the Group (Note 24 (i))

- (v) This represents 10 new villas with a carrying value of QR 33,116,444, which were purchased in 2015 was classified as work in progress and capitalized in 2016. The fair value of these villas was QR 33,515,000, based on a valuation carried out on 2 January 2017 by an external independent valuer.
- (vi) Capital work-in-progress represents furnishing and fit out work carried out for West Bay Medical Centre with a total contract value of QR 55,000,000.

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**10 Intangible assets**

	<b>2016</b>	2015
Goodwill (i)	76,321,443	76,321,443
Development cost (ii)	<u>24,698,859</u>	<u>36,521,778</u>
	<u><b>101,020,302</b></u>	<u>112,843,221</u>

(i) Goodwill

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 and branches) are as follows:

	<b>2016</b>	2015
International Trading and Contracting Company W.L.L., Qatar	4,845,447	4,845,447
Qatar Gardens Company (a branch of I.T.C.) Qatar	4,646,571	4,646,571
Salam Technology W.L.L., Qatar	9,596,160	9,596,160
Salam Industries W.L.L., Qatar	7,531,543	7,531,543
Salam Petroleum Services W.L.L., Qatar	12,937,048	12,937,048
Stream Industries and Engineering Company W.L.L., Qatar	15,178,083	15,178,083
Salam Enterprises W.L.L., 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
Salam Enterprises Company L.L.C., UAE	11,062,279	11,062,279
Qatari German Switchgear Company W.L.L.	<u>2,705,253</u>	<u>2,705,253</u>
	<u><b>76,321,443</b></u>	<u>76,321,443</u>

(ii) Development cost

Development costs include costs incurred for computer software and branding and developing of policies and procedures. The costs incurred for computer software is amortised over a period of three years while the costs related to branding and developing of policies and procedures manual are amortised over a period of five years, being their expected useful lives.

	<b>2016</b>	2015
<b>Cost</b>		
Balance at 1 January	67,972,425	55,752,265
Additions	12,380,223	12,239,442
Transfers	3,600,000	-
Disposals	-	(19,282)
Disposal on sale of a subsidiary (Note 27)	<u>(27,141,289)</u>	<u>-</u>
<b>Balance at 31 December</b>	<u><b>56,811,359</b></u>	<u>67,972,425</u>
<b>Accumulated amortisation</b>		
Balance at 1 January	31,450,647	26,565,496
Amortisation	3,577,417	4,885,151
Disposal on sale of a subsidiary (Note 27)	<u>(2,915,564)</u>	<u>-</u>
<b>Balance at 31 December</b>	<u><b>32,112,500</b></u>	<u>31,450,647</u>
<b>Carrying amount at 31 December</b>	<u><b>24,698,859</b></u>	<u>36,521,778</u>

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11 Investment in associates

(a) The outstanding balance of the investment in associates is represented as follows:

	Ownership		2016	2015
	2016	2015		
Serene Real Estate S.A.L. (Lebanon) (i)	48.99%	48.99%	50,006,161	59,756,160
PC Deal Net W.L.L. (Qatar) (i)	51%	51%	102,000	102,000
Qatar Aluminum Extrusion Company P.S.C(Qatar) (i)	20%	20%	9,021,472	7,252,573
Canon Office Image Solutions W.L.L. (Qatar) (i)	51%	51%	3,712,800	3,712,800
Salam Sice Tech Solutions W.L.L. (Qatar)(i)	51%	51%	-	-
Salam Media Cast W.L.L. (Qatar) (i)	20%	20%	4,902,605	5,715,789
Salam Media Cast L.L.C. (UAE) (i)	20%	20%	-	-
Meta Coat W.L.L. (Qatar) (i)	51%	51%	4,000,000	4,000,000
Robert Abi Nader International Limited(UAE) (ii)	-	25%	-	4,824,092
Technical Field Services Limited (UAE)(i)	50%	50%	2,744,949	7,051,127
Technical Office for Studies and Monitoring Works W.L.L. (Qatar) (i)	51%	51%	102,000	102,000
Wikaya Contracting W.L.L(Qatar) (i)	50%	50%	100,000	100,000
Harris Salam W.L.L(Qatar) (i)	51%	51%	357,000	357,000
Dutchkid FZCO and Just Kidding General Trading Company (UAE) (i)	50%	50%	1,209,017	1,984,000
Mideco Trading and Contracting L.L.C. (i)	70%	-	140,000	-
Soula Systems (i)	20%	-	1,000,000	-
My List FZ LLC (i)	5%	-	364,170	-
			<b>77,762,174</b>	<b>94,957,541</b>

The carrying values of the investment in associates have been adjusted for the results of associates for the year ended 31 December 2016, which are based on the audited / management financial statements.

- (i) As per the shareholders' agreements and subsequent amendments thereto, the Group does not have either control or joint control over the investee and accordingly treated as an associate.
- (ii) This investment is disposed at the carrying value as at 1 January 2016 and classified as receivable.

(b) The movement in investment in associates during the year is presented as follows:

	2016	2015
Balance at 1 January	94,957,541	104,426,891
Additions (i)	1,504,170	2,530,439
Disposals	-	(3,310,471)
Dividends received	(5,017,616)	(10,018,874)
Transfer to receivables	(4,706,978)	-
Share of results from associates, net (ii)	(8,974,943)	1,329,556
<b>Balance at 31 December</b>	<b>77,762,174</b>	<b>94,957,541</b>

**11 Investment in associates (continued)**

(i) Details of addition to Group's associates during the year are as follows:

a. Mideco Trading and Contracting L.L.C. (Qatar)

The Group entered into an "Agreement" with Michel Hanna Dib (Lebanese national) to acquire 70% shares of Mideco Trading and Contracting L.L.C. (a company incorporated in Qatar). As at the reporting date, the Group has made an investment of QR 140,000.

b. Soula Systems L.L.C. (Qatar)

The Group entered into an "Agreement" with Soula Systems L.L.C. (a company incorporated in Qatar) to acquire 20% shares of the Company. As at the reporting date, the Group has made an investment of QR 1,000,000 against the 20% share of Soula Systems L.L.C.

c. My List FZ L.L.C. (BVI)

The Group entered into an "Agreement" with Julie Maelle Barbier Leblan (a company incorporated in BVI) to acquire 5% shares of My List FZ L.L.C. As at the reporting date, the Group has made an investment of QR 364,170.

d. Wikaya Contracting W.L.L.(Qatar)

The Group entered into an "Agreement" with Salem Agencies Company – SAS (a company incorporated in Saudi Arabia) to acquire 50% shares of Wikaya Contracting W.L.L. As at the reporting date, the Group has made an investment of QR 100,000 against the 50% shares of Wikaya Contracting W.L.L.

e. Harris Salam W.L.L(Qatar)

The Group entered into an "Agreement" with Harris System Limited (a company incorporated in U.K) to establish a new company Haris Salam W.L.L. with a total paid up capital of QR. 700,000. The Group's share in the capital is 51%.

f. Dutchkid FZCO and Just Kidding General Trading Company (U.A.E)

The Group entered into an "Agreement" with Bernard Frans Harmen Boenk and Johanna Maria Wilhelmaina Retera (Dutch nationals) to acquire 50% shares of Dutchkid FZCO U.A.E (a company incorporated in United Arab Emirates).

**11 Investment in associates (continued)**

(ii) Share of result from associates during the year:

In case where the share of losses from the result of operations of associates exceed the investments, IFRS do not allow the recognition of future losses except when the Group has legal or constructive obligations from investments or has made payments on behalf of investees.

The following table shows the movement on cumulative share of loss from associates exceeding its investment amounts which were applied to amounts due from related parties:

**Share of losses applied to due from related parties - 2016**

Associate	1 January 2016	(gain)/loss during the year (a)	31 December 2016
Salam Media Cast LLC (UAE)	1,080,309	623,136	1,703,445
Salam Sice Tech Solutions	53,974	697,986	751,960
	<u>1,134,283</u>	<u>1,321,122</u>	<u>2,455,405</u>

**Share of losses applied to due from related parties - 2015**

Associate	1 January 2015	(gain)/loss during the year (a)	31 December 2015
Salam Media Cast LLC (UAE)	1,157,340	(77,031)	1,080,309
Salam Sice Tech Solutions	740,684	(686,710)	53,974
	<u>1,898,024</u>	<u>(763,741)</u>	<u>1,134,283</u>

(a) The share of result from associates' operations is reported in the consolidated statement of profit or loss as follows:

	2016	2015
Total share of loss / (gain) applied to investment in associates	8,974,943	(1,329,556)
Total share of loss / (gain) applied to amount due from related parties	<u>1,321,122</u>	<u>(763,741)</u>
	<u>10,296,065</u>	<u>(2,093,297)</u>

**12 Investment in joint ventures**

(a) The outstanding balance of the investment in joint ventures is represented as follows:

	Ownership		2016	2015
	2016	2015		
4 Homes FZCO L.L.C. (UAE)	70%	70%	52,490,136	53,913,620
Shift Point L.L.C. (Qatar)	51%	51%	<u>368,237</u>	<u>37,522</u>
			<u>52,858,373</u>	<u>53,951,142</u>

The carrying values of the investment in joint ventures have been adjusted for the results of joint ventures for the year ended 31 December 2016, which are based on the audited / management financial statements.

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**12 Investment in joint ventures (continued)**

(b) The movement in investment in joint ventures during the year is presented as follows:

	2016	2015
Balance at 1 January	53,951,142	37,458,418
Additions during the year	-	10,930,693
Share of results from joint venture, net	2,877,154	5,562,031
Dividends received during the year	(3,969,923)	-
<b>Balance at 31 December</b>	<b>52,858,373</b>	<b>53,951,142</b>

(c) The above joint ventures are accounted for using the equity method in these consolidated financial statements. Summarised financial information in respect of the Group's joint ventures are set out below:

	2016	2015
Total assets	79,081,760	81,238,114
Total liabilities	(10,943,294)	(17,411,912)
Net assets	<b>68,138,466</b>	<b>63,826,202</b>

	2016	2015
Total revenue	126,948,287	126,796,103
Total net profit for the year	4,286,230	7,359,386
Proportion of Group's interest in joint venture's profit	2,877,154	5,562,031

**13 Available-for-sale investments**

	2016	2015
<u>Quoted equity instruments (i)</u>		
i. Equity Securities - Qatar	19,084,890	20,302,614
ii. Equity Securities – UAE	385,692	555,869
iii. Equity Securities – Jordan	31,330,904	31,997,519
iv. Equity Securities – Bahrain	525,207	1,324,278
v. Equity Securities – Cayman Islands	34,402,753	34,402,753
	85,729,446	88,583,033
<u>Unquoted equity instruments (ii)</u>	81,187,789	81,352,389
	<b>166,917,235</b>	<b>169,935,422</b>

(i) Quoted equity instruments have been valued using Level 1 measurement techniques as per IFRS 7. Level 1 refers to valuation of investments based on quoted (unadjusted) prices in active markets for identical assets.

(ii) The unquoted investments equity are stated at cost less impairment loss, if any as the fair value of these investments could not be reliably measured. Information for such investments is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review on the financial position and performance of its unquoted investments and assessed that no additional impairment loss is required as of 31 December 2016. Management believes that the fair value is not materially different from the carrying value.

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**13 Available-for-sale investments (continued)**

(a) Available-for-sale investments are denominated in the following currencies:

Currencies	2016	2015
i. Qatari Riyals.	19,084,890	20,302,614
ii. US Dollars	99,188,524	99,755,479
iii. Jordanian Dinars	31,589,904	32,653,235
iv. Emirati Dirham	385,692	555,869
v. Saudi Riyals	16,668,225	16,668,225
	<b>166,917,235</b>	<b>169,935,422</b>

(b) The movement in available-for-sale investments during the year is presented as follows;

	2016	2015
Balance at 1 January	169,935,422	164,566,684
Additions during the year	1,398,165	14,638,122
Disposals during the year	(1,094,537)	(1,068,851)
Movement in fair value during the year	(2,387,229)	(8,200,533)
Impairment during the year	(934,586)	-
<b>Balance at 31 December</b>	<b>166,917,235</b>	<b>169,935,422</b>

(c) The movement in available-for-sale investments fair value reserve during the year is as follows;

	2016	2015
Balance at 1 January	(2,993,007)	5,207,526
Effect of change in fair value during the year	(2,387,229)	(8,200,533)
<b>Balance at 31 December</b>	<b>(5,380,236)</b>	<b>(2,993,007)</b>

**14 Retentions**

(a) Retention receivables

Retention receivable represents amounts withheld from the Group'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 unless otherwise stated in the respective contracts. The amounts withheld are usually 5 to 10% of each invoice.

	2016	2015
Current	106,316,103	72,298,380
Non-current	108,416,590	89,934,832
	<b>214,732,693</b>	<b>162,233,212</b>



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**14 Retentions (continued)**

## (b) Retention payables

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 unless otherwise stated in the respective contracts. The amounts withheld are usually 5 to 10% of each invoice.

	2016	2015
Current	24,699,589	19,657,028
Non-current	15,978,358	13,603,158
	<u>40,677,947</u>	<u>33,260,186</u>

**15 Other assets**

	Current		Non-current	
	2016	2015	2016	2015
Prepayments	28,243,697	25,315,374	-	-
Advance payments	106,571,844	51,415,339	-	-
Accrued income	9,673,031	12,804,860	-	-
Others	29,056,624	40,059,123	11,993,327	11,948,638
	<u>173,545,196</u>	<u>129,594,696</u>	<u>11,993,327</u>	<u>11,948,638</u>

**16 Inventories**

	2016	2015
Finished goods and goods for resale	581,894,147	612,777,175
Goods in transit	10,828,687	22,495,484
	592,722,834	635,272,659
Less: provision for slow moving inventories	<u>(57,305,748)</u>	<u>(54,127,433)</u>
	<u>535,417,086</u>	<u>581,145,226</u>

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

Movement of provision for slow moving inventories:

	2016	2015
Balance at 1 January	54,127,433	58,337,559
Provisions during the year (i) Note 32	5,148,313	2,922,073
Write-offs/reversals during the year	<u>(1,969,998)</u>	<u>(7,132,199)</u>
<b>Balance at 31 December</b>	<u>57,305,748</u>	<u>54,127,433</u>

(i) An amount of QR 312,850 has been allocated to operating cost

**17 Related parties****Transactions with related parties**

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard No. 24, Related Party Disclosures. Related parties comprise companies under common ownership and/or common management and control, key management personnel, entities in which the shareholders have controlling interest, affiliates, and other related parties.

During the year, the Group entered into the following trading transactions with related parties:

	2016	2015
Revenue	<u>10,617,855</u>	<u>23,563,798</u>
Cost of sales	<u>7,623,929</u>	<u>13,047,546</u>
Rent income from investment properties	<u>3,747,901</u>	<u>2,140,880</u>
Other income	<u>693,693</u>	<u>757,634</u>
Other expenses	<u>1,137,296</u>	<u>1,749,165</u>
Intangible assets	<u>3,543,232</u>	<u>2,376,478</u>
Financing advance to a related party	<u>23,367,652</u>	<u>5,474,638</u>

**(a) Due from related parties**

	2016	2015
Serene Real Estate S.A.L.	144,074,217	142,582,083
Bassam Abu Issa	1,123,887	234,397
Salam Holdings W.L.L.	5,200,334	1,666,918
Salam Interconsult W.L.L.	130,284	130,284
Burhan International Construction Company W.L.L.	11,603,229	23,986,409
PC Dealnet Qatar W.L.L.	142,840	666,532
Holmesglen Australia	31,013,148	30,999,530
Al Hussam Holding Company	1,352,112	7,603,270
Salam Sice Tec Solutions W.L.L.	7,160,106	5,692,587
John Steven Ezzo	127,143	338,682
Meta Coat	9,772,834	5,407,216
Real Jubail Investment W.L.L.	450,100	479,341
Technical Field Services	5,352,067	6,077,924
Joseph Makdessi	162,087	196,204
Mideco Trading & Contracting W.L.L.	4,089,409	459,652
Soula Systems	5,400,050	1,000,050
Salam Media Cast – Dubai	8,854	6,793
Salam Media Cast - Doha	70,186	24,413
Shift Point L.L.C.	296,504	406,552
Jamal Abu Issa	13,658	-
New Image USA	24,905	-
	<u>227,567,954</u>	<u>227,958,837</u>

**17 Related parties (continued)****(b) Due to related parties**

	<b>2016</b>	2015
Robert Abi Nader	94,166	94,166
Al Nooh Wood Industries	491,706	330,908
Luay Mahmoud Darwish	-	415,028
Riyadh George Maqiss	-	287,667
I Telligent Technologies L.L.C.	66,985	-
Just Kidding General Trading Company L.L.C.	677,985	-
Offiteco W.L.L.	41,163	53,086
New Image USA	-	33,570
Canon office Imaging	927,715	1,821,764
	<u><b>2,299,720</b></u>	<u>3,036,189</u>

**(c) Compensation of key management personnel**

<b>Short-term and long term benefits</b>	<b>2016</b>	2015
Executive managers' bonus	9,359,571	7,610,386
Proposed Directors' remuneration	2,200,000	2,200,000
Salaries and other short-term benefits	36,849,173	39,148,858
Long-term benefits	1,803,085	1,710,500
	<u><b>50,211,829</b></u>	<u>50,669,744</u>

**18 Investments at fair value through profit and loss**

	<b>2016</b>	2015
<b>Listed securities</b>		
Equity securities – Qatar	<u><b>1,754,712</b></u>	<u>1,897,980</u>

**19 Trade and other receivables**

	<b>2016</b>	2015
Trade receivables	650,919,972	540,535,135
Provision for doubtful trade receivables	<u>(50,179,762)</u>	<u>(49,073,879)</u>
	600,740,210	491,461,256
Notes receivables	27,886,536	5,388,672
	<u><b>628,626,746</b></u>	<u>496,849,928</u>

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**19 Trade and other receivables (continued)****Ageing of trade receivables**

	<b>2016</b>	2015
Trade receivables not past due (0 to 60 days)	384,939,147	338,608,380
Trade receivables past due and not impaired		
61 to 90 days	12,211,982	36,583,225
91 to 120 days	23,180,892	18,462,933
121 to 365 days	104,654,161	36,154,180
Beyond 1 year	<u>75,754,028</u>	<u>61,652,538</u>
	<b>600,740,210</b>	491,461,256
Trade receivables past due and impaired		
Beyond 121 days	<u>50,179,762</u>	<u>49,073,879</u>
	<b>650,919,972</b>	540,535,135

**Movement of provision for doubtful trade receivables**

	<b>2016</b>	2015
Balance at 1 January	49,073,879	45,393,611
Provisions during the year	5,322,849	6,415,671
Write-offs/reversal during the year	(1,966,966)	(2,735,403)
Movement on disposal of a subsidiary	<u>(2,250,000)</u>	<u>-</u>
<b>Balance at 31 December</b>	<b>50,179,762</b>	49,073,879

The average credit period for sale of goods and rendering of services is 60 days for private sectors and 90 to 120 days for governmental sectors. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

**20 Cash and bank balances**

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

	<b>2016</b>	2015
Cash balances	3,210,587	2,640,020
Bank balances	<u>264,560,635</u>	<u>349,106,542</u>
Cash and bank balances	<b>267,771,222</b>	351,746,562
Less: bank overdraft (i)	<u>(82,032,035)</u>	<u>(79,411,457)</u>
<b>Cash and cash equivalents</b>	<b>185,739,187</b>	272,335,105

(i) Bank overdrafts carried an average interest rates ranging from 3.25% to 5.5% (2015: 3.25% to 5.50% p.a.)

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**21 Share capital**

	2016	2015
Authorised, issued and fully paid up capital @ QR 10 each		
114,314,587 shares @ QR 10 each	<u>1,143,145,870</u>	<u>1,143,145,870</u>

**22 Legal reserve**

In accordance with Qatar Commercial Companies Law No.11 of 2015 and the Company's Articles of Association, 10% of the net profit for each year and premium on share issuance by the Company is to be transferred to legal reserve until the reserve equals 50% of the paid up share capital and is not available for distribution except in circumstances specified in the above Law.

**23 Non-controlling interests**

	2016	2015
Balance at 1 January	165,710,252	179,055,269
Acquisition – Additional purchase of subsidiary shares	(3,984,740)	(24,189,115)
Share of profit for the year	5,511,785	10,684,091
Net movement in non-controlling interests	(521,995)	160,007
Disposal of a subsidiary (Note 27)	(9,749,303)	-
<b>Balance at 31 December</b>	<u><b>156,965,999</b></u>	<u>165,710,252</u>

**24 Borrowings**

	Current		Non-current	
	2016	2015	2016	2015
Term loan (a)	521,093,325	311,857,691	1,284,811,669	1,324,255,539
Loan against trust receipt (b)	382,085,918	364,525,087	-	-
Project finance (c)	103,065,471	93,091,006	-	-
	<u><b>1,006,244,714</b></u>	<u>769,473,784</u>	<u><b>1,284,811,669</b></u>	<u>1,324,255,539</u>

**24 Borrowings (continued)**

(a) Term loan represent the following :

	Final instalment/Maturity	2016	2015
Loan -1 (i)	30 June 2024	963,698,866	869,150,593
Loan -2 (ii)	30 April 2025	150,000,000	-
Loan -3 (iii)	1 April 2021	91,135,703	100,000,000
Loan -4 (iv)	5 October 2017	72,830,000	-
Loan -5 (v)	2 December 2018	63,726,250	95,589,375
Loan -6 (vi)	31 March 2019	51,208,594	73,967,969
Loan -7 (vii)	Revolving	50,000,000	-
Loan -8 (viii)	20 January 2018	36,415,000	60,691,667
Loan -9 (ix)	14 December 2018	36,415,000	54,622,500
Loan -10 (x)	14 March 2017	36,415,000	18,207,500
Loan -11 (xi)	30 September 2020	33,736,146	40,000,000
Loan -12 (xii)	12 January 2019	32,773,500	47,339,500
Loan -13 (xiii)	17 July 2017	28,748,684	67,080,263
Loan -14 (xxii)	Various dates	27,948,667	-
Loan -15 (xiv)	Revolving	18,207,500	9,467,900
Loan -16 (xv)	Revolving	18,207,500	-
Loan -17 (xvi)	17 October 2024	17,264,959	-
Loan -18 (xvii)	1 October 2018	15,049,882	22,134,553
Loan -19 (xviii)	29 June 2019	14,705,882	20,588,235
Loan -20 (xxii)	Various dates	11,000,000	-
Loan -21 (xix)	1 January 2019	7,170,570	10,203,720
Loan -22 (xxii)	Various dates	6,000,000	-
Loan -23 (xxii)	Various dates	5,000,000	-
Loan -24 (xxii)	Various dates	5,000,000	-
Loan -25 (xx)	31 March 2018	4,161,831	7,390,401
Loan -26 (xxi)	1 July 2019	4,104,688	5,549,638
Loan -27 (xxii)	Various dates	3,482,154	-
Loan -28 (xxii)	Various dates	1,498,618	2,830,814
Loan -29		-	94,180,799
Loan -30		-	24,803,333
Loan -31		-	5,000,000
Loan -32		-	3,779,103
Loan -33		-	3,258,533
Loan -34		-	276,834
		<b>1,805,904,994</b>	<b>1,636,113,230</b>

(i) A term loan of QR 963,698,866 was availed as part of the Groups debt management. The loan is repayable in quarterly instalments of QR 32,500,000 each with a bullet payment for the residual value due in June 2024.

**24 Borrowings (continued)**

- (ii) A term loan of QR 150,000,000 was availed as part of the Group debt management and expansion of business. The loan is re-payable in 23 quarterly instalments of QR 6,500,000 each with a final instalment due in April 2025.
- (iii) A term loan of QR 100 Million was availed to refurbish and modernize boutiques and outlets of SILL subsidiaries. The loan is repayable in 19 quarterly instalment of QR 5,400,000 each with a final instalment in April 2021.
- (iv) A term loan of USD 20 Million (Equivalent QR 72,830,000) was availed for working capital and investments. The loan principal is re-payable in single instalment due in October 2017.
- (v) A term loan of USD 35 Million (Equivalent QR 127,452,500) was availed to finance capital expenditure of various new businesses. The loan principal is re-payable in 16 equal quarterly instalments of USD 2,187,500 each plus interest with a final instalment due in December 2018.
- (vi) A term loan of USD 25 Million (Equivalent QR 91,037,500) was availed for Long Term Working Capital requirements. The loan principal is re-payable in 16 quarterly instalments of USD 1,562,500 each plus interest with a final instalment due in March 2019.
- (vii) A revolving term loan of QR 50 Million was availed to meet short term working capital requirement. The loan principal along with interest is to be settled in full every six months.
- (viii) A term loan of USD 20 Million (Equivalent QR 72,830,000) was availed for General Corporate Purposes. The loan principal is re-payable in 6 semi-annual instalments of USD 3,333,333 plus profit with a final instalment due in January 2018.
- (ix) A term loan of USD 15 Million (Equivalent QR 54,622,500) was availed to finance capital expenditure of the Group. The loan principal is re-payable in 12 quarterly instalments of USD 1,250,000 each plus interest with a final instalment due in December 2018.
- (x) A term loan of USD 10 Million (Equivalent QR 36,415,000) was availed to finance working capital requirements of the Group. The loan principal along with interest is re-payable in single instalment due in March 2017.
- (xi) A term loan of QR 45 Million was availed for General Business Operations. The loan has a grace period of one year and is repayable in 18 quarterly instalments of QR 2,450,000 each with a final instalment due in September 2020.
- (xii) A term loan of USD 15 Million (Equivalent QR 54,622,500) was availed to support acquisition of new business. The loan is repayable in 15 quarterly instalments of USD 1,000,000 each plus interest with a final instalment due in January 2019.
- (xiii) A term loan of USD 50 Million (Equivalent QR 182,075,000) was availed to finance the re-payment of some existing loans. The loan principal is re-payable in 19 quarterly instalments of USD 2,631,579 each plus interest with a final instalment due in July 2017.
- (xiv) A revolving term loan of USD 5 Million was availed to meet short term working capital requirements. The loan principal along with interest is re-payable in every six months.
- (xv) A revolving term loan of USD 5 Million (Equivalent QR 18,207,500) was availed to meet short term working capital requirement. The loan principal along with interest is repayable in every six months.

**24 Borrowings (continued)**

- (xvi) A term loan of QR 67 Million was sanctioned to finance refurbishing at The Gate Mall for a tenant to set up a Medical Centre. The loan principal has a grace period of one year and is re-payable in seven years after the grace period, with a final instalment due in October 2024.
- (xvii) A term loan of QR 35 Million was given for the expansion of business of one of SIIIL's subsidiaries. The loan is repayable in 18 quarterly instalments of QR 1,954,749 each plus interest with a final instalment due in October 2018.
- (xviii) A term loan of QR 25 Million was availed to finance one of the Group entities. The loan is repayable in 17 quarterly instalments of QR 1,470,588 plus interest with a final instalment in June 2019.
- (xix) A Murabaha Facility of QR 15 Million was availed to support acquisition of new business. The loan is repayable in 20 quarterly instalments of QR 837,680 each inclusive of profit with final instalment due in January 2019.
- (xx) A term loan of QR 14.20 Million was availed to finance fit-out and mechanical, electrical and procurement works at The Gate Towers and Mall. The loan principal is re-payable in 18 quarterly instalments of QR 870,000 each inclusive of interest with a final instalment due in March 2018.
- (xxi) A financing facility of QR 12 Million was sanctioned to finance acquisition of assets by one of the Group entities. The loan is repayable in 48 monthly instalments of QR 138,000 each plus interest with a final instalment in July 2019.
- (xxii) The Group availed these loans for different operational purposes with various maturity dates.

The above term loans are secured by the following:

Cross corporate guarantees of the Group for the following amounts:

- USD 135 million; and
- QR. 1.3 billion.

Corporate guarantees of the Group for the following amounts:

- USD 45 million; and
- QR. 356 million

First rank mortgage over the following properties (Note 8&9):

- Land and building of Salam Tower;
- Land and building of Salam Plaza; and
- The Gate Towers and Mall.

Assignment of rental proceeds from the following properties:

- Salam Tower; and
- The Gate Towers and Mall.

The above term loans carry interest rate ranging from 2.75% to 4.5% per annum (2015: 2.75% to 5.22% per annum).

**(b) Loans against trust receipts**

These represent import credit facilities obtained from local and foreign banks, secured by full corporate guarantee of the Company and carry interest rates ranging from 3.20% to 3.5% per annum (2015: 2.65% to 3.50% per annum). Those facilities are short term in nature and, mostly, are repayable within one fiscal year from the date of the facility.



**24 Borrowings (continued)**

## (c) Project finances

These represent facilities obtained from local and foreign banks and secured by full corporate guarantee of the Company. These facilities carry interest rates ranging from 3.25% to 4.5% per annum (2015: 3.25% to 4.50% per annum), and obtained to finance construction projects and operations of subsidiaries under the contracting, energy and power sectors. Those facilities are short term in nature with original repayment schedule of one to three years in accordance with the project duration.

**25 Employees' end of service benefits**

	2016	2015
Balance at 1 January	68,390,288	64,008,874
Provision during the year	17,769,344	15,525,021
Payments during the year	(11,352,413)	(11,143,607)
Movement on disposal of a subsidiary (Note 27)	(2,079,686)	-
<b>Balance at 31 December</b>	<b><u>72,727,533</u></b>	<b><u>68,390,288</u></b>

**26 Other liabilities-current**

	2016	2015
Provision for supplier dues	70,973,888	47,764,178
Provision for completed jobs	19,011,267	14,739,809
Provision for social contribution	2,855,188	2,829,980
Dividend payable	10,250,830	9,489,103
Accrued expenses	55,818,832	42,685,248
Staff dues and incentives	60,180,128	51,912,486
Other payables	63,917,740	45,436,200
	<b><u>283,007,873</u></b>	<b><u>214,857,004</u></b>

## 27 Subsidiaries

(a) Details of the Group's subsidiaries at 31 December 2016 are as follows:

Name of subsidiary	Principal activities	Ownership interest (%)	
		2016	2015
Salam Technology W.L.L.	Information technology	100	100
Stream Industrial and Engineering Company W.L.L.	Mechanical services	100	100
Qatar German Switchgear Company W.L.L.	Switchgear manufacturing	100	100
Salam Petroleum Services W.L.L.	Trading in chemical materials and maintenance of oil equipment	100	100
Gulf steel and Engineering W.L.L.	Steel works	100	100
International Trading and Contracting Company W.L.L.	Civil contracting	100	100
Salam Enterprises Company O.P.C. *	Furniture trading and contracting	100	100
Salam Industries W.L.L.	Furniture and-Interior works	100	100
Alu Nasa Company W.L.L.	Aluminum works	100	100
Gulf Industries for Refrigeration and Catering Company W.L.L.	Trading and maintenance of refrigerators, water coolers and air conditioners	100	100
Holmsglen Qatar W.L.L.	Consulting and managerial studies	98	98
Qatar Transformers Company W.L.L.	Manufacture of transformers	100	100
Salam Hospitality W.L.L.	Restaurants and bakeries management	100	100
Salam Bounian Development Company P.S.C.	Real estate	70.41	69.63
Gulf Facility Management W.L.L.	Facility management	70.41	69.63
Salam Enterprises L.L.C. (i)	Trading in water equipment	100	100
Atelier 21 L.L.C. (i)	Interior design	100	100
Modern Decoration Company L.L.C.(i)	Furniture and interiors manufacturing	100	100
Alu Nasa Aluminium Industry L.L.C. (i)	Aluminium works	100	100
Salam Group W.L.L.	Luxury Retail trading - intermediary holding company	100	100
Salam Studio & Stores W.L.L. – Doha	Retail and wholesale of luxury consumer products	100	100
Salam Studio & Stores L.L.C. – Dubai (i)	Retail and wholesale of luxury consumer products	100	100
Salam Studio & Stores W.L.L. – Muscat (iii)	Retail of luxury consumer products	100	100

## 27 Subsidiaries (continued)

Name of subsidiary	Principal activities	Ownership interest (%)	
		2016	2015
Salam Arabia Trading Establishment – Kuwait (ii)	General trading	100	100
Future Qatar for Business Development W.L.L.	Computer programming and software and database development	-	60
Salam Trading Enterprises – Jordan (iv)	Luxury Fashion retail	100	100
Salam Enterprise Company – Bahrain	Furniture trading	80	80
Salam Amwal Holding S.A.L.	Investments	100	100
Salam Capital Holding S.A.L.	Investments	100	100
Salam Globex W.L.L.	Marketing and offices facilities	100	100
Prevent and Protect W.L.L. – Qatar	Oil and gas services	90	90
Prevent and Protect S.P.C. – Bahrain	Oil and gas services	90	90
Prevent and Protect L.L.C. – Oman	Oil and gas services	90	90
Prevent and Protect L.L.C. – UAE	Oil and gas services	90	90
New Image Building Services Gulf States L.L.C.	Building and facilities management	52.8	52
Blink Company W.L.L.	Photography trading and related services	60	60
Qatar Garden – Branch of International Trading and Contracting Company W.L.L.	Construction of soft and hard landscaping and supply of related materials	100	100

\* In line with Qatar Commercial Companies law No. 11 of 2015, the management of the Group entity is in the process of changing the legal status of the Company to a limited liability company

- (i) 99 % of the share capital of these companies are commercially registered under the name of the Company and 1% is registered in the name of Salam Group W.L.L., a Group entity. .
- (ii) The operations and activities of Salam Arabia Trading Establishment Kuwait, Gulf Facility Management W.L.L. and Gulf Industries for Refrigeration and Catering Company W.L.L. are currently on hold.
- (iii) 30% of the share capital of Salam Studio and Stores W.L.L. – Muscat was commercially registered under the name of an Omani national. The ownership structure of this entity changed during 2015 to become 99% owned by the Company and 1% owned by Salam Studio and Stores W.L.L., a Group entity.
- (iv) 50% of the share capital of Salam Trading Enterprises Jordan was commercially registered in the name of a Jordanian national. The ownership structure of this entity changed during the year 2014 to become 50% each owned by Salam Group W.L.L. and Salam Studio and Stores W.L.L. – Jordan, both subsidiaries wholly owned by the Company.

**27 Subsidiaries (continued)**

(b) Details of the change in Group's subsidiaries during the year are as follows:

**Future Qatar for Business Development W.L.L.**

During the year, the Group has disposed off its shareholding in Future Qatar for Business Development W.L.L. with effect from 1 January 2016. The following represents the value of identifiable assets and liabilities of subsidiary disposed as at the date of disposal.

	<b>2016</b>
<b>Assets</b>	
Property and equipment (Note 8)	3,777,375
Intangible assets (Note 10)	24,225,725
Due from related parties	4,631,089
Trade and other receivables	19,030,608
Due from customers for contract work	3,373,534
Cash and cash equivalents	9,757,347
<b>Total assets</b>	<u>64,795,678</u>
<b>Liabilities</b>	
Borrowings	3,258,533
Employees' end of service benefits (Note 25)	2,079,686
Due to related parties	26,114,563
Trade and other payables	8,969,638
<b>Total liabilities</b>	<u>40,422,420</u>
<b>Identifiable net assets</b>	<b>24,373,258</b>
Less non-controlling interests (Note 23)	<u>(9,749,303)</u>
<b>Identifiable net assets disposed</b>	<b>14,623,955</b>
Total consideration for disposal	<u>31,200,000</u>
Profit on disposal of subsidiary (Note 30)	<u>16,576,045</u>
Proceed from sale of subsidiary, net of cash	<u>21,442,653</u>

**Salam Bounian Development Company P.S.C.**

- (b) During the year, SIIL purchased additional 428,014 shares in Salam Bounian Development Company P.S.C. to become the owner of 38,725,369 shares representing 70.41% of Salam Bounian's capital.
- (c) During 2015, the Group purchased additional 19.22% shares of New Image Building Services Gulf States L.L.C. to become the 52.22% owner of New Image Building Services Gulf States L.L.C. The effective date of the acquisition was 1 April 2015.

The details of the additional purchase with respective gain from purchase recognised in equity are as follows:

	<b>2016</b>	<b>2015</b>
Acquisition – Additional purchase of subsidiary shares	3,984,740	24,189,115
Fair value of the consideration paid	<u>(4,280,140)</u>	<u>(24,883,492)</u>
Loss from additional purchase	<u>(295,400)</u>	<u>(694,377)</u>

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**28 Operating revenue**

	2016	2015
Contract revenue	1,629,337,903	1,226,718,702
Revenue from sale of goods	1,081,054,454	1,160,504,299
Service revenue	57,291,085	63,925,322
Real estate revenue	145,139,363	140,489,173
	<u>2,912,822,805</u>	<u>2,591,637,496</u>

**29 Operating cost**

	2016	2015
Contract costs	1,340,619,000	1,061,163,922
Cost of goods sold	733,543,294	762,339,704
Cost of service and other revenue	39,717,291	46,222,873
Real estate costs	8,418,716	7,847,620
Interest charged to projects	7,846,656	6,435,622
Depreciation of investment properties (Note 9)	29,618,759	26,937,819
Depreciation charges (Note 8(iii))	16,310,411	11,487,219
	<u>2,176,074,127</u>	<u>1,922,434,779</u>

**30 Investment income**

	2016	2015
Gain on sale of investment in an associate (i)	-	62,079,993
Profit on sale of available-for-sale investments	27,865	564,702
Unrealised loss on investments at fair value through profit or loss	(310,915)	(723,040)
Interest income	5,388,559	12,567,398
Dividend income	1,736,990	1,630,748
Profit on disposal of a subsidiary (Note 27)	16,576,045	-
	<u>23,418,544</u>	<u>76,119,801</u>

- (i) In 2015, one of the Company's associates (SAJ Emitates Trading L.L.C.) were sold and generated a gain of QR 62,079,993.

Investment income earned on financial assets and non-financial assets, analyzed by category of asset, is as follows:

	2016	2015
Available-for-sale financial assets	1,764,855	2,195,450
Investments at fair value through profit and loss	(310,915)	(723,040)
Loans and receivables (including cash and bank balances)	5,388,559	12,567,398
Investment income earned on financial assets	6,842,499	14,039,808
Investment income earned on non-financial assets	16,576,045	62,079,993
	<u>23,418,544</u>	<u>76,119,801</u>

**31 Other income**

	2016	2015
Gain on sale of property, plant and equipment	224,955	231,023
Gain on foreign currency exchange rate fluctuation	2,749,733	1,990,390
Rent income from sub-lease arrangements	6,395,666	6,097,369
Others	16,706,938	19,440,160
	<u>26,077,292</u>	<u>27,758,942</u>

**32 General and administrative expenses**

	2016	2015
Office, showroom and warehouse rent	85,060,464	81,544,815
Advertising	5,288,088	6,035,157
Marketing*	32,133,723	23,341,942
Repairs and maintenance	18,686,918	16,742,760
Travel	4,634,538	5,597,524
Communication	5,982,746	6,137,944
Electricity and water	11,164,106	11,391,017
Business development	1,102,009	1,648,251
Entertainment	1,801,226	2,366,049
Tender fees	951,277	1,911,057
Insurance	3,774,122	3,807,925
Legal and registration charges	7,080,565	6,230,267
Printing and stationery	3,867,046	4,618,339
Professional fees	2,856,225	2,100,322
Meeting and conference	430,569	500,165
Fuel	3,181,050	3,142,547
Subscription and catalogues	1,136,139	1,001,437
Transportation	2,305,318	1,245,201
Donations	2,160,234	1,210,226
Provision for doubtful receivables	5,322,849	6,415,671
Provision for slow moving inventories	4,835,463	2,922,073
Property, plant and equipment written off	3,333,012	1,876,487
Others	8,208,190	3,801,613
	<b><u>215,295,877</u></b>	<b><u>195,588,789</u></b>

\* The details of net marketing expenses are as follows:

	2016	2015
Marketing expenses incurred during the year	47,606,610	50,584,151
Contribution granted from suppliers	<u>(15,472,887)</u>	<u>(27,242,209)</u>
	<b><u>32,133,723</u></b>	<b><u>23,341,942</u></b>

**33 Contribution to social and sports fund**

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2010, which is applicable to all Qatari listed shareholding companies with publicly traded equity, the Group has made an appropriation of 2.5% of its net profit attributable to the owners of the Company to social and sports fund.

**34 Earnings per share**

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding at the reporting date.

The basic and diluted earnings per share are the same as there were no dilutive effects on earnings.

	2016	2015
Profit for the year attributable to Owners of the Company	<u>114,207,525</u>	113,199,212
Adjusted weighted average number of outstanding shares	<u>114,314,587</u>	<u>114,314,587</u>
<b>Basic and diluted earnings per share</b>	<u>1.00</u>	<u>0.99</u>

**35 Proposed cash dividend**

In their meeting held on 6 February 2017, the Board of Directors proposed a cash dividend of 8% amounting to QR 91,451,670 (2015 (10%): QR 114,314,587) as the dividend distribution for the current financial year which are subject to the approval of the shareholders at the General Assembly. The cash dividend for 2015 were approved by the shareholders at the General Assembly held on 5 April 2016.

**36 Contingent liabilities and commitments**

	2016	2015
Letters of credit	<u>211,505,118</u>	213,929,744
Letters of guarantee	<u>816,491,986</u>	<u>640,167,218</u>

*Operating leases commitments*

Future minimum lease rentals payable under non-cancellable operating leases as at the year-end are as follows:

	2016	2015
Within one year	83,979,747	91,372,509
After one year but not more than five years	248,490,464	163,565,082
More than 5 years	<u>12,390,513</u>	<u>9,364,226</u>
	<u>344,860,724</u>	<u>264,301,817</u>

**37 Operating segments**

The Group operates in the areas of contracting, energy and power, consumer and luxury products, technology and communication and real estate and investments.

Transactions between segments are conducted at estimated market rates, as approved by management, and are eliminated on consolidation. The following table shows the distribution of the Group's revenue, expenditure and summary of assets and liabilities.

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37 Operating segments (continued)

(a) In terms of operating sectors :

31 December 2016	Contracting	Energy and Power	Consumer and luxury products	Technology and telecommunication	Real estate and investments	Total
<b>Operating income</b>						
From external customers	700,109,306	433,364,379	1,013,471,686	593,567,795	172,309,639	2,912,822,805
Inter-segment	27,959,382	54,225,631	1,591,273	3,234,382	28,451,511	115,462,179
<b>Total operating income</b>	<b>728,068,688</b>	<b>487,590,010</b>	<b>1,015,062,959</b>	<b>596,802,177</b>	<b>200,761,150</b>	<b>3,028,284,984</b>
<b>Segment results</b>	<b>(2,581,860)</b>	<b>22,418,967</b>	<b>(30,342,699)</b>	<b>66,253,303</b>	<b>63,971,599</b>	<b>119,719,310</b>
<b>Assets and liabilities</b>						
Segment assets	834,549,150	387,555,961	969,635,069	525,053,399	2,528,876,123	5,245,669,702
Segment liabilities	468,982,221	280,766,765	695,660,230	318,945,181	1,646,141,792	3,410,496,189
<b>Other segment information</b>						
Capital expenditures:						
Tangible assets	8,754,510	7,021,802	82,181,552	5,999,941	85,921,600	189,879,405
Intangible assets	441,374	305,567	8,136,328	-	3,496,954	12,380,223
	<b>9,195,884</b>	<b>7,327,369</b>	<b>90,317,880</b>	<b>5,999,941</b>	<b>89,418,554</b>	<b>202,259,628</b>
Depreciation	11,640,563	8,655,205	46,543,784	6,279,412	45,747,876	118,866,840
Amortisation	36,332	836,983	1,883,687	189,043	631,372	3,577,417



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37 Operating segments (continued)

	Contracting	Energy and Power	Consumer and luxury products	Technology and telecommunication	Real estate and investments	Total
31 December 2015						
Operating income						
From external customers	694,474,981	292,749,819	1,128,466,623	306,137,833	169,808,240	2,591,637,496
Inter-segment	16,588,506	4,897,319	6,508,296	1,550,263	55,471,814	85,016,198
Total operating income	711,063,487	297,647,138	1,134,974,919	307,688,096	225,280,054	2,676,653,694
Segment results	(46,412,047)	5,044,975	60,755,558	24,317,798	80,177,019	123,883,303
Assets and liabilities						
Segment assets	828,025,979	289,283,597	989,270,718	205,867,159	2,552,443,850	4,864,891,303
Segment liabilities	507,633,362	197,128,384	530,555,691	143,553,552	1,636,457,669	3,015,328,658
Other segment information						
Capital expenditures:						
Tangible assets	15,573,470	9,801,549	27,181,248	2,309,148	90,679,280	145,544,695
Intangible assets	119,364	-	8,958,363	-	3,161,715	12,239,442
	15,692,834	9,801,549	36,139,611	2,309,148	93,840,995	157,784,137
Depreciation	11,477,401	8,645,873	51,096,382	1,582,332	42,101,481	114,903,469
Amortisation	485,308	968,786	2,288,874	252,058	890,125	4,885,151

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37 Operating segments (continued)

(b) In terms of geographic locations :

	2016				2015			
	Qatar	United Arab Emirates	Others	Total	Qatar	United Arab Emirates	Others	Total
<b>Operating income</b>								
From external customers	2,339,171,946	420,470,134	153,180,725	2,912,822,805	2,001,121,398	455,925,015	134,591,083	2,591,637,496
Inter-segment	98,624,129	16,835,155	2,895	115,462,179	75,918,544	9,097,654	-	85,016,198
<b>Total operating income</b>	<b>2,437,796,075</b>	<b>437,305,289</b>	<b>153,183,620</b>	<b>3,028,284,984</b>	<b>2,077,039,942</b>	<b>465,022,669</b>	<b>134,591,083</b>	<b>2,676,653,694</b>
<b>Segment results</b>	<b>163,734,899</b>	<b>(32,888,546)</b>	<b>(11,127,043)</b>	<b>119,719,310</b>	<b>68,021,616</b>	<b>56,156,037</b>	<b>(294,350)</b>	<b>123,883,303</b>
<b>Assets and liabilities</b>								
Segment assets	4,620,066,017	478,106,429	147,497,256	5,245,669,702	4,244,033,777	468,541,754	152,315,772	4,864,891,303
Segment liabilities	3,110,094,277	275,067,601	25,334,311	3,410,496,189	2,789,647,878	202,992,847	22,687,933	3,015,328,658
<b>Other segment information</b>								
Capital expenditures:								
Tangible assets	183,369,966	6,238,822	270,617	189,879,405	134,389,630	5,581,030	5,574,035	145,544,695
Intangible assets	12,378,366	1,857	-	12,380,223	12,021,207	218,235	-	12,239,442
	195,748,332	6,240,679	270,617	202,259,628	146,410,837	5,799,265	5,574,035	157,784,137
Depreciation	102,816,514	13,020,608	3,029,718	118,866,840	96,593,133	14,420,971	3,889,365	114,903,469
Amortisation	3,483,287	94,130	-	3,577,417	4,594,429	137,968	152,754	4,885,151

**38 Financial risk management****(i) Credit risk**

The Group's credit risk is primarily attributable to its loans to associate companies, other assets, due from related parties, retention receivables, trade and other receivables, and bank balances. The Group 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 Group's management.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Bank balances are held with reputed banks in and outside Qatar. Given these reputation management do not expect these banks to fail on their obligations.

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

The following is the ageing analysis of the above mentioned instruments:

**31 December 2016**

	Less than 90 days	90-365 days	Over 365 days	Total
Loans to associate companies	-	-	24,696,029	24,696,029
Other assets (excluding prepayments, advances and others)	9,673,031	-	-	9,673,031
Due from related parties	227,567,954	-	-	227,567,954
Retention receivables	-	106,316,103	108,416,590	214,732,693
Trade and other receivables	397,151,129	127,835,053	75,754,028	600,740,210
Bank balances	264,560,635	-	-	264,560,635
	<b>898,952,749</b>	<b>234,151,156</b>	<b>208,866,647</b>	<b>1,341,970,552</b>

**31 December 2015**

	Less than 90 days	90-365 days	Over 365 days	Total
Loans to associate companies	-	-	5,753,603	5,753,603
Other assets (excluding prepayments, advances and others)	12,804,860	-	-	12,804,860
Due from related parties	227,958,837	-	-	227,958,837
Retention receivables	-	72,298,380	89,934,832	162,233,212
Trade and other receivables	375,191,605	54,617,113	61,652,538	491,461,256
Bank balances	349,106,542	-	-	349,106,542
	<b>965,061,844</b>	<b>126,915,493</b>	<b>157,340,973</b>	<b>1,249,318,310</b>

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## 38 Financial risk management (continued)

## (ii) Liquidity risk

The following are the contractual maturities of financial liabilities excluding the impact of netting agreements, if any:

31 December 2016

*Non-derivative financial liabilities*

	Carrying amounts	Gross un-discounted contractual cash out flows	Less than 1 year	Above 1 year
Borrowings	(2,291,056,383)	(2,291,056,383)	(1,006,244,714)	(1,284,811,669)
Retention payables	(40,677,947)	(40,677,947)	(24,699,589)	(15,978,358)
Other liabilities excluding provisions	(271,802,876)	(271,802,876)	(263,996,606)	(7,806,270)
Due to related parties	(2,299,720)	(2,299,720)	(2,299,720)	-
Bank overdrafts	(82,032,035)	(82,032,035)	(82,032,035)	-
Notes payable	(8,864,659)	(8,864,659)	(7,449,343)	(1,415,316)
Trade and other payables	(322,657,714)	(322,657,714)	(322,657,714)	-
	<b>(3,019,391,344)</b>	<b>(3,019,391,344)</b>	<b>(1,709,379,721)</b>	<b>(1,310,011,613)</b>

31 December 2015

*Non-derivative financial liabilities*

	Carrying amounts	Gross un-discounted contractual cash out flows	Less than 1 year	Above 1 year
Borrowings	(2,093,729,323)	(2,093,729,323)	(769,473,784)	(1,324,255,539)
Retention payables	(33,260,186)	(33,260,186)	(19,657,028)	(13,603,158)
Other liabilities excluding provisions	(204,053,480)	(204,053,480)	(200,117,195)	(3,936,285)
Due to related parties	(3,036,189)	(3,036,189)	(3,036,189)	-
Bank overdrafts	(79,411,457)	(79,411,457)	(79,411,457)	-
Notes payable	(3,977,758)	(3,977,758)	(3,802,124)	(175,634)
Trade and other payables	(289,995,621)	(289,995,621)	(289,995,621)	-
	<b>(2,707,464,014)</b>	<b>(2,707,464,014)</b>	<b>(1,365,493,398)</b>	<b>(1,341,970,616)</b>

## (iii) Market risk

## (a) Equity price risk

The Group is subject to equity price risk in relation to available-for-sale investments and investment at fair value through profit or loss. The Group 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 in market values of the Group's quoted portfolio of available-for-sale investment is expected to result in an increase in the asset and equity by QR 8,572,945 (2015: QR 8,858,303) and a 10% decrease in market values of the Group's quoted portfolio of available-for-sale investment are expected to result in a decrease of the asset and equity by QR 8,572,945 (2015: QR 8,858,303).

A 10% increase in market values of the Group's portfolio of investment at fair value through profit or loss is expected to result in an increase of QR 175,471 (2015: QR 189,798) in the assets and profit of the Group and a 10% decrease in market values of the Group's portfolio of investment at fair value through profit or loss is expected to result in a decrease of the assets and profit by QR 175,471 (2015: QR 189,798).

**38 Financial risk management (continued)****(iii) Market risk (continued)****(b) Interest rate risk**

The Group 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.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amounts	
	2016	2015
<b>Non-interest bearing instruments</b>		
Bank balances	107,610,251	78,963,887
<b>Fixed rate instruments</b>		
Bank balances	104,110,693	240,193,047
Bank loans	(136,166,968)	(43,535,367)
Net financial asset	(32,056,275)	196,657,680
Average interest rate (p.a.)	3.75%-4.50%	3.75%-5.22%
<b>Variable rate instruments</b>		
Bank balances	52,839,691	29,949,608
Bank loans	(2,154,889,415)	(2,050,193,956)
Bank overdrafts	(82,032,035)	(79,411,457)
Net financial liability	(2,184,081,759)	(2,099,655,805)
Average interest rate (p.a.)	3.25%-4.50%	2.75% to 4.00%

The following table demonstrates the sensitivity of the Group'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 Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2016.

	Profit or (loss)		Profit or (loss)	
	2016		2015	
	50 bps Increase	50 bps Decrease	50 bps Increase	50 bps Decrease
Variable rate financial liabilities	(10,920,409)	10,920,409	(10,498,279)	10,498,279

**(c) Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's functional currency and significant foreign currency transactions are denominated in currencies pegged with United States Dollar ("USD"). Therefore the management is of the opinion that the Group's exposure to currency risk is minimal.

**Fair values versus carrying amounts**

The fair values of financial instruments, with the exceptions of available-for-sale investments and investments at fair value through profit or loss, carried at cost are not materially different from their carrying values.

**38 Financial risk management (continued)****Capital risk management**

The Group 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 Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of debt, which includes the borrowing disclosed in note 24, net of cash and bank balances and equity, comprising issued share capital, reserves and retained earnings.

**Gearing ratio**

The Group'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 ratios at the year end are as follows:

	2016	2015
Debt (a)	2,373,088,418	2,173,140,780
Cash and bank balances (Note 20)	<u>(267,771,222)</u>	<u>(351,746,562)</u>
<b>Net debt</b>	<b><u>2,105,317,196</u></b>	<b><u>1,821,394,218</u></b>
<b>Equity (b)</b>	<b><u>1,835,173,513</u></b>	<b><u>1,849,562,645</u></b>
<b>Net debt to equity</b>	<b><u>114.72%</u></b>	<b><u>98.47%</u></b>

(a) Debt is defined as long and short term borrowing, as detailed in note 24 and 20.

(b) Equity includes all share capital, reserves and retained earnings of the Group.

**39 Accounting estimates and judgments**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Impairment of available-for-sale financial assets*

The Group treats available-for-sale financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities, the future cash flows, and the discount factors for unquoted equities.

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**39 Accounting estimates and judgements (continued)**

*Provision for slow moving inventories*

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

*Useful lives of property, plant and equipment and investment properties*

The Group's management determines the estimated useful lives of its property, plant and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Fair valuation of investment property*

The fair value of investment property is determined by valuations from an external professional real estate valuer using recognized valuation techniques and the principles of IFRS 13 "Fair Value Measurement". These valuations entail significant estimates and assumptions about the future, which could result in significant differences in the valuations.

*Revenue recognition*

Management follows the guidance of IAS 11 "Construction contracts" to determine the revenue recognition on the Company's long-term contract in progress. The stage of completion of long-term contracts in progress may be determined in a variety of ways. Management is required to use judgment to identify the method that measures most reliably the work performed to the reporting date. Based on the method used to assess the stage of completion of a contract, contract revenue recognized in an accounting period may differ from another method. Management determines the stage of completion of its long-term contract for contracts by reference to percentage of cost incurred to date compared to the estimated total cost for the completion of the contract. Revenue recognized in a year using the percentage of completion method is dependent upon the estimates by management at each reporting date of contract costs for the outstanding contract.

**40 Litigation**

On 4 June 2013, the Court of Cassation overturned the Court of Appeal's verdict issued on 23 January 2013, which invalidated the executive merger procedures involving the Company in 2002 and 2005, without compromising the authenticity and legality of these decisions in terms of subject or form. Furthermore, the Court of Cassation requested the Court of Appeal for a retrial with a new committee of different judges. The Court of Appeal appointed a committee of experts to study and report about the mergers referred to above. On 23 January 2017, the Court of Appeal issued a ruling, which upheld the Court of Appeal's verdict issued on 23 January 2013. However, the Company decided to appeal before Court of Cassation against the Court of Appeal ruling on 23 January 2017. Currently, the accompanying consolidated financial statements are prepared on a similar basis, as in prior periods, including its subsidiaries acquired in the mergers referred to above.

**41 Comparative figures**

The corresponding figures presented for 2015 have been reclassified where necessary to preserve consistency with the 2016 figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative year.

