

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

**Consolidated financial statements**

**31 December 2017**

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

**Consolidated financial statements  
For the year ended 31 December 2017**

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<b>Contents</b>	<b>Page(s)</b>
Independent auditor's report	1-6
<b>Consolidated financial statements</b>	
Consolidated statement of financial position	7-8
Consolidated statement of profit or loss	9
Consolidated statement of profit or loss and other comprehensive income	10
Consolidated statement of changes in equity	11-12
Consolidated statement of cash flows	13-14
Notes to the consolidated financial statements	15-64



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## **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 2017, 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 2017, 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)**  
**Salam International Investment Limited Q.P.S.C.**

*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 10 and 38 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 1,575,905,684 represent 29% of the Group's total assets as at 31 December 2017, 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 indications (decline in value) 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)**  
**Salam International Investment Limited Q.P.S.C.**

<u>Valuation of inventories and provision for slow moving inventories</u> – refer to Note 15 and 38 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 574,256,048 representing 11% of the Group's total assets as at 31 December 2017, 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)**  
**Salam International Investment Limited Q.P.S.C.**

<u>Revenue recognition on contracts and excess of revenue over billings from contract works - refer to Note 6, 27 and 38 in the consolidated financial statements.</u>	<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 contract revenue of QR 1,649,247,100 representing 57% of the Group's total operating revenue for the year ended 31 December 2017, hence a material portion of the consolidated statement of profit or loss and excess of revenue over billings from contract works of QR 737,662,882 representing 14% of the Groups total assets as at 31 December 2017, 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 2017 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)**  
**Salam International Investment Limited Q.P.S.C.**

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 Responsibilities 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 the 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)**  
**Salam International Investment Limited Q.P.S.C.**

- 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 Group. 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 2017.

4 February 2018  
Doha  
State of Qatar

Yacoub Hobeika  
KPMG  
Audit Registration Number 289  
Licensed by QFMA: External Auditor's  
License No. 120153



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

**Consolidated statement of financial position  
As at 31 December 2017**

In Qatari Riyals

		2017	2016
<b>Assets</b>	<b>Note</b>		
Property, plant and equipment	8	525,027,771	492,919,714
Intangible assets and goodwill	9	109,292,209	101,020,302
Investment properties	10	1,575,905,684	1,568,859,469
Equity-accounted investees	11	152,150,487	130,620,547
Available-for-sale investments	12	172,865,335	166,917,235
Retention receivables	13(a)	133,261,200	108,416,590
Loans to associate companies		22,239,377	24,696,029
Other assets	14	12,159,215	11,993,327
<b>Non-current assets</b>		<b><u>2,702,901,278</u></b>	<b><u>2,605,443,213</u></b>
Inventories	15	574,256,048	535,417,086
Other assets	14	185,430,190	173,545,196
Due from related parties	16(a)	230,050,589	227,567,954
Retention receivables	13(a)	116,433,984	106,316,103
Excess of revenue over billings from contract works		737,662,882	699,227,470
Investments at fair value through profit or loss	17	1,379,336	1,754,712
Trade and other receivables	18	655,626,213	628,626,746
Cash and bank balances	19	209,196,864	267,771,222
<b>Current assets</b>		<b><u>2,710,036,106</u></b>	<b><u>2,640,226,489</u></b>
<b>Total assets</b>		<b><u>5,412,937,384</u></b>	<b><u>5,245,669,702</u></b>

The notes from 1 to 40 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 2017**

In Qatari Riyals

	Note	2017	2016
<b>Equity</b>			
Share capital	20	1,143,145,870	1,143,145,870
Legal reserve	21	431,181,937	431,181,937
Fair value reserve	12 (c)	(11,861,086)	(5,380,236)
Proposed cash dividend	34	-	91,451,670
(Accumulated loss) / Retained earnings		(82,967,488)	17,808,273
<b>Equity attributable to owners of the Company</b>		<b>1,479,499,233</b>	<b>1,678,207,514</b>
Non-controlling interests	22	165,985,666	156,965,999
<b>Total equity</b>		<b>1,645,484,899</b>	<b>1,835,173,513</b>
<b>Liabilities</b>			
Borrowings	23	1,570,839,497	1,284,811,669
Employees' end of service benefits	24	75,348,122	72,727,533
Retention payables	13(b)	31,258,383	15,978,358
Other liabilities	25	7,769,253	15,078,453
Notes payable		-	1,415,316
<b>Non-current liabilities</b>		<b>1,685,215,255</b>	<b>1,390,011,329</b>
Due to related parties	16(b)	2,847,080	2,299,720
Bank overdrafts	19	118,040,843	82,032,035
Borrowings	23	1,133,445,219	1,006,244,714
Notes payable		4,148,144	7,449,343
Retention payables	13(b)	32,016,398	24,699,589
Advances from customers		136,238,506	234,354,891
Excess of billings over revenues from contract works		65,648,791	57,738,981
Other liabilities	25	288,715,421	283,007,873
Trade and other payables		301,136,828	322,657,714
<b>Current liabilities</b>		<b>2,082,237,230</b>	<b>2,020,484,860</b>
<b>Total liabilities</b>		<b>3,767,452,485</b>	<b>3,410,496,189</b>
<b>Total equity and liabilities</b>		<b>5,412,937,384</b>	<b>5,245,669,702</b>

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 4 February 2018.

  
 Issa Abdul Salam Abu Issa  
 Chairman and Chief Executive Officer

  
 Hekmat Abdel Fattah Younis  
 Chief Financial Officer

  
 Salam International Investment LTD QSC  
 P.O. Box 16224 Doha - Qatar

The notes from 1 to 40 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 2017

In Qatari Riyals

	Note	2017	2016
Operating revenue	27	2,893,826,913	2,912,822,805
Operating cost	28	<u>(2,336,353,721)</u>	<u>(2,176,074,127)</u>
<b>Gross profit</b>		<b>557,473,192</b>	<b>736,748,678</b>
Investment income	29	4,477,708	23,418,544
Other operating income		5,925,616	6,768,585
Service and consultancy income		453,302	5,701,436
Other income	30	23,159,453	26,077,292
Salaries and staff benefits		(290,193,904)	(291,242,897)
General and administrative expenses	31	(215,049,205)	(215,295,877)
Amortisation of intangible assets	9	(3,113,672)	(3,577,417)
Depreciation of property, plant and equipment	8(iii)	(73,398,488)	(72,937,670)
Impairment of available-for-sale investments	12(b)	(2,446,431)	(934,586)
Finance costs		(95,516,547)	(76,028,296)
Share of result from equity-accounted investees, net	11	<u>3,249,014</u>	<u>(7,418,911)</u>
(Loss) / Profit before executive managers' bonus		(84,979,962)	131,278,881
Executive managers' bonus	16(c)	(4,941,597)	(9,359,571)
Proposed Directors' remuneration	16(c)	-	(2,200,000)
<b>(Loss) / Profit</b>		<b><u>(89,921,559)</u></b>	<b><u>119,719,310</u></b>
<b>Attributable to:</b>			
Owners of the Company		(100,723,400)	114,207,525
Non-controlling interests	22	<u>10,801,841</u>	<u>5,511,785</u>
<b>(Loss) / Profit</b>		<b><u>(89,921,559)</u></b>	<b><u>119,719,310</u></b>
<b>Basic and diluted earnings per share</b>	33	<b><u>(0.88)</u></b>	<b><u>1.00</u></b>

The notes from 1 to 40 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 2017

In Qatari Riyals

	Note	2017	2016
<b>(Loss) / Profit</b>		<b>(89,921,559)</b>	119,719,310
<b>Other comprehensive income:</b>			
<b>Item that is or may be reclassified subsequently to profit or loss</b>			
Net movement in cumulative changes in fair value of available-for-sale investments	12(c)	<u>(6,480,850)</u>	<u>(2,387,229)</u>
<b>Other comprehensive income</b>		<b><u>(6,480,850)</u></b>	<b><u>(2,387,229)</u></b>
<b>Total comprehensive income</b>		<b><u>(96,402,409)</u></b>	<b><u>117,332,081</u></b>
<b>Attributable to:</b>			
Owners of the Company		(107,204,250)	111,820,296
Non-controlling interests	22	<u>10,801,841</u>	<u>5,511,785</u>
<b>Total comprehensive income</b>		<b><u>(96,402,409)</u></b>	<b><u>117,332,081</u></b>

The notes from 1 to 40 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 2017**

In Qatari Riyals

*Attributable to owners of the Company*

31 December 2017	Share capital	Legal reserve	Fair value reserve	Proposed cash dividend	(Accumulated loss) / Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	1,143,145,870	431,181,937	(5,380,236)	91,451,670	17,808,273	1,678,207,514	156,965,999	1,835,173,513
<b>(Loss) / Profit</b>	-	-	-	-	(100,723,400)	(100,723,400)	10,801,841	(89,921,559)
<b>Other comprehensive income</b>								
Net movement in cumulative changes in fair value of available-for-sale investments	-	-	(6,480,850)	-	-	(6,480,850)	-	(6,480,850)
Total comprehensive income	-	-	(6,480,850)	-	(100,723,400)	(107,204,250)	10,801,841	(96,402,409)
Cash dividend paid	-	-	-	(91,451,670)	-	(91,451,670)	-	(91,451,670)
Proposed cash dividend (Note 34)	-	-	-	-	-	-	-	-
Contribution to social and sports fund (Note 32)	-	-	-	-	-	-	-	-
Acquisition – Additional purchase of subsidiary shares (Note 26)	-	-	-	-	(52,361)	(52,361)	(1,801,990)	(1,854,351)
Net movement in non-controlling interests (Note 22)	-	-	-	-	-	-	19,816	19,816
<b>Balance at 31 December 2017</b>	<b>1,143,145,870</b>	<b>431,181,937</b>	<b>(11,861,086)</b>	<b>-</b>	<b>(82,967,488)</b>	<b>1,479,499,233</b>	<b>165,985,666</b>	<b>1,645,484,899</b>

The notes from 1 to 40 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 2017

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
Profit	-	-	-	-	114,207,525	114,207,525	5,511,785	119,719,310
Other comprehensive income	-	-	(2,387,229)	-	-	(2,387,229)	-	(2,387,229)
Net movement in cumulative changes in fair value of available-for-sale investments	-	-	(2,387,229)	-	114,207,525	111,820,296	5,511,785	117,332,081
Total comprehensive income	-	-	-	(114,314,587)	-	(114,314,587)	-	(114,314,587)
Cash dividend paid	-	-	-	91,451,670	(91,451,670)	-	-	-
Proposed cash dividend (Note 34)	-	-	-	-	(11,420,753)	-	-	-
Transfer to legal reserve	-	11,420,753	-	-	(2,855,188)	(2,855,188)	-	(2,855,188)
Contribution to social and sports fund (Note 32)	-	-	-	-	-	-	(9,749,303)	(9,749,303)
Disposal of a subsidiary (Note 26)	-	-	-	-	(295,400)	(295,400)	(3,984,740)	(4,280,140)
Acquisition – Additional purchase of subsidiary shares (Note 26)	-	-	-	-	-	-	(521,995)	(521,995)
Net movement in non-controlling interests (Note 22)	-	-	-	-	-	-	-	-
Balance at 31 December 2016	1,143,145,870	431,181,937	(5,380,236)	91,451,670	17,808,273	1,678,207,514	156,965,999	1,835,173,513

The notes from 1 to 40 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 2017**

In Qatari Riyals

	Note	2017	2016
<b>Cash flows from operating activities</b>			
(Loss) / Profit		(89,921,559)	119,719,310
Adjustments for :			
- Depreciation of property, plant and equipment	8	101,113,470	89,248,081
- Amortisation of intangible assets	9	3,113,672	3,577,417
- Property, plant and equipment written off	31	2,674,082	3,333,012
- Intangible assets written off	31	25,788	-
- Depreciation of investment properties	10	31,532,901	29,618,759
- Impairment of available-for-sale investments	12	2,446,431	934,586
- Provision for slow moving inventories	15	3,917,399	5,148,313
- Provision for doubtful trade receivables	18	11,585,540	5,322,849
- Provision for employees' end of service benefits	24	18,026,584	17,769,344
- Unrealised loss on investments at fair value through profit or loss	29	375,376	310,915
- Finance costs		110,706,579	87,773,804
- Gain on sale of available-for-sale investments	29	-	(27,865)
- Profit on disposal of a subsidiary	29	-	(16,576,045)
- Interest income	29	(3,434,199)	(5,388,559)
- Dividend income	29	(1,418,885)	(1,736,990)
- Gain on sale of property, plant and equipment	30	(866,307)	(224,955)
- Share of results of equity-accounted investees	11	(3,249,014)	7,418,911
<b>Operating profit before working capital changes</b>		<b>186,627,858</b>	<b>346,220,887</b>
Changes in:			
- Inventories		(42,756,361)	40,579,827
- Other assets		(12,050,882)	(43,995,189)
- Due from related parties		(20,325,985)	(4,240,206)
- Retentions receivables		(34,962,491)	(52,499,481)
- Excess of revenue over billings from contract works		(38,435,412)	(247,082,985)
- Trade and other receivables		(38,585,007)	(151,423,297)
- Due to related parties		547,360	24,056,972
- Net movement in notes payable		(4,716,515)	4,886,901
- Retention payables		22,596,834	7,417,761
- Advances from customers		(98,116,385)	91,833,664
- Excess of billings over revenue from contract works		7,909,810	(19,951,134)
- Trade and other payables and other liabilities		(23,509,183)	113,546,375
Cash (used in) / generated from operating activities		(95,776,359)	109,350,095
Employees' end of service benefits paid	24	(15,405,995)	(11,352,413)
<b>Net cash (used in) / from operating activities</b>		<b>(111,182,354)</b>	<b>97,997,682</b>

The notes from 1 to 40 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 2017**

In Qatari Riyals

	Note	2017	2016
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant and equipment	8	(139,210,368)	(113,205,557)
Proceeds from sale of property, plant and equipment		4,181,066	10,905,226
Payments for purchase of investment properties	10	(36,617,933)	(76,528,889)
Payments for purchase of available - for - sale investments	12	(18,701,162)	(1,398,165)
Proceeds from sale of available- for- sale investments		3,825,781	1,122,402
Net movement in intangible assets	9	(11,411,367)	(15,980,223)
Purchase of investments at fair value through profit or loss		-	(167,647)
Purchase of shares in equity-accounted investees	11	(744,000)	(1,504,170)
Proceeds on sale of a subsidiary – net of cash	26	-	21,442,653
Payment for acquisition of additional shares of a subsidiary	26	(1,854,351)	(4,280,140)
Dividends received from equity accounted investees	11	693,069	8,987,539
Dividends received	29	1,418,885	1,736,990
Interest received	29	3,434,199	5,388,559
<b>Net cash used in investing activities</b>		<b><u>(194,986,181)</u></b>	<b><u>(163,481,422)</u></b>
<b>Cash flows from financing activities</b>			
Net movement in borrowings	23(d)	411,267,150	200,440,634
Net movement in non-controlling interests	22	19,816	(521,995)
Finance costs paid	23(d)	(110,706,579)	(87,773,804)
Loan to associate companies		2,456,652	(18,942,426)
Dividends paid		(91,451,670)	(114,314,587)
<b>Net cash from/ (used in) financing activities</b>		<b><u>211,585,369</u></b>	<b><u>(21,112,178)</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b><u>(94,583,166)</u></b>	<b><u>(86,595,918)</u></b>
Cash and cash equivalents at 1 January		185,739,187	272,335,105
<b>Cash and cash equivalents at 31 December</b>	<b>19</b>	<b><u>91,156,021</u></b>	<b><u>185,739,187</u></b>
<b>Non cash transactions:</b>			
Finance cost capitalised on qualifying asset		1,961,183	144,959
Transfer from related parties receivables		17,843,350	-

The notes from 1 to 40 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 15224, 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 2017 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, realestate and development sectors, and to invest in securities in local and overseas market.

**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 4 February 2018. 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 38 to these consolidated financial statements.

## 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 2017 are disclosed in note 26.

#### 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.

#### 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.

**6 Significant accounting policies (continued)**

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

**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.

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

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

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

**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.

**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.

**6 Significant accounting policies (continued)**

**(c) Revenue (continued)**

**Investment property 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 Group'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.

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

*Recognition and measurement*

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, 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.

**6 Significant accounting policies (continued)**

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

*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.

**(e) Intangible assets and goodwill**

***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.

**6 Significant accounting policies (continued)**

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

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.

*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 and villas	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.

**6 Significant accounting policies (continued)**

**(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.

**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.

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.

**6 Significant accounting policies (continued)**

**(j) Impairment (continued)**

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

*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.

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.

**6 Significant accounting policies (continued)**

**(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.

**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 incorporate 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 weighted average and 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 2017**

The following standards, amendments and interpretations, which became effective as of 1 January 2017, and are relevant to the Group.

*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 on prospective basis.

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 2017 (continued)**

*Annual Improvements to IFRSs 2014–2016 Cycle – various standards.*

The annual improvements to IFRSs to 2014-2016 cycles include certain amendments to various IFRSs. 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.

- IFRS 12 Disclosure of Interests in Other Entities – The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. Effective retrospectively for annual periods beginning on or after 1 January 2017.

- IAS 28 Investments in Associates and Joint Ventures – A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.

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 2017 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's financial statements in the period of initial application.

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

***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 Group will adopt IFRS 9 on 1 January 2018 and will not restate the comparative information. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

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 (continued)*

*Classification and measurement*

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which financial assets are managed and the underlying cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: (a) measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVTOCI) and Fair Value through Profit or Loss (FVTPL). Under IFRS 9, derivatives embedded in contracts where the host is a financial asset are no longer bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

*Expected credit losses*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

*Financial liabilities*

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

*Hedge accounting*

IFRS 9's hedge accounting requirements are designed to align the accounting more closely to the risk management framework; permit a greater variety of hedging instruments; and remove or simplify some of the rule-based requirements in IAS 39. The elements of hedge accounting: fair value, cash flow and net investment hedges are retained.

*Disclosure*

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

The Group is currently assessing the estimated impact on initial application on IFRS 9 as at 1 January 2018.

**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 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 plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

The Group is currently assessing the estimated impact on initial application on IFRS 15 as at 1 January 2018.

***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 is currently assessing the estimated impact on initial application on IFRS 16 as at 1 January 2019.

**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***

<i>Effective for year ending 31 December 2018</i>	<ul style="list-style-type: none"> <li>• <i>Amendments to IFRS 2 on classification and measurement of share based payment transactions</i></li> </ul>
<i>Effective for year ending 31 December 2019</i>	<ul style="list-style-type: none"> <li>• <i>Amendments to IAS 28 long term interest in associates and joint ventures</i></li> </ul>
<i>Effective date to be determined</i>	<ul style="list-style-type: none"> <li>• <i>Amendments to IFRS 4 on applying IFRS 9 with IFRS 4 Insurance contracts</i></li> <li>• <i>Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture</i></li> </ul>

**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.

**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.



Notes to the consolidated financial statements  
For the year ended 31 December 2017

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**7 Financial risk management (continued)**

**i) Credit risk (continued)**

*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 37.

**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 37.

**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 37.

*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.

*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.

## 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 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 26)	-	(2,727,964)	(1,614,910)	(355,800)	(8,509,532)	-	(13,208,206)
Balance at 31 December 2016	288,874,438	101,717,407	365,938,439	51,668,345	227,618,153	84,819,841	1,120,636,623
Balance at 1 January 2017	288,874,438	101,717,407	365,938,439	51,668,345	227,618,153	84,819,841	1,120,636,623
Additions	750,020	3,643,064	2,979,610	6,707,136	23,952,636	101,177,902	139,210,368
Disposals / write off	(111,650)	(3,535,697)	(4,120,833)	(1,889,244)	(3,822,486)	(1,966,637)	(15,446,547)
Transfers	5,038,298	3,066,239	102,549,734	-	7,167,899	(117,822,170)	-
<b>Balance at 31 December 2017</b>	<b>294,551,106</b>	<b>104,891,013</b>	<b>467,346,950</b>	<b>56,486,237</b>	<b>254,916,202</b>	<b>66,208,936</b>	<b>1,244,400,444</b>
<b>Accumulated depreciation</b>							
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 26)	-	(1,239,376)	(1,035,954)	(291,635)	(6,863,866)	-	(9,430,831)
Balance at 31 December 2016	86,636,334	57,541,277	283,871,677	37,230,177	162,437,444	-	627,716,909
Balance at 1 January 2017	86,636,334	57,541,277	283,871,677	37,230,177	162,437,444	-	627,716,909
Depreciation (iii)	11,968,269	11,825,752	35,210,117	6,203,899	35,905,433	-	101,113,470
Disposals / write off	(65,381)	(1,322,088)	(3,243,326)	(1,734,852)	(3,092,059)	-	(9,457,706)
<b>Balance at 31 December 2017</b>	<b>98,539,222</b>	<b>68,044,941</b>	<b>315,838,468</b>	<b>41,699,224</b>	<b>195,250,818</b>	<b>-</b>	<b>719,372,673</b>
<b>Carrying amounts</b>							
<b>At 31 December 2017 (iv)</b>	<b>196,011,884</b>	<b>36,846,072</b>	<b>151,508,482</b>	<b>14,787,013</b>	<b>59,665,384</b>	<b>66,208,936</b>	<b>525,027,771</b>
At 31 December 2016	202,238,104	44,176,130	82,066,762	14,438,168	65,180,709	84,819,841	492,919,714

(i) &amp; (ii)

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

**Notes to the consolidated financial statements**

**For the year ended 31 December 2017**

In Qatari Riyals

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

- (i) This includes buildings costing QR 153,765,350 (2016: QR 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 10) are mortgaged in favor of one of the local banks as security for term loans.
- (iii) Depreciation charge has been allocated as follows:

	<b>2017</b>	2016
Operating cost (Note 28)	27,714,982	16,310,411
Depreciation expenses	73,398,488	72,937,670
	<u><b>101,113,470</b></u>	<u>89,248,081</u>

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

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

Notes to the consolidated financial statements  
For the year ended 31 December 2017

In Qatari Riyals

9 Intangible assets and goodwill

	2017	2016
Goodwill (i)	76,321,443	76,321,443
Development cost (ii)	32,970,766	24,698,859
	<u>109,292,209</u>	<u>101,020,302</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) are as follows:

	2017	2016
International Trading and Contracting Company W.L.L., Qatar	4,845,447	4,845,447
Qatar Gardens Company W.L.L.	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.	2,705,253	2,705,253
	<u>76,321,443</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.

	2017	2016
<b>Cost</b>		
Balance at 1 January	56,811,359	67,972,425
Additions	11,411,367	12,380,223
Transfers	-	3,600,000
Write off (Note 31)	(25,788)	-
Disposal on sale of a subsidiary (Note 26)	-	(27,141,289)
<b>Balance at 31 December</b>	<u>68,196,938</u>	<u>56,811,359</u>
<b>Accumulated amortisation</b>		
Balance at 1 January	32,112,500	31,450,647
Amortisation	3,113,672	3,577,417
Disposal on sale of a subsidiary (Note 26)	-	(2,915,564)
<b>Balance at 31 December</b>	<u>35,226,172</u>	<u>32,112,500</u>
<b>Carrying amount at 31 December</b>	<u>32,970,766</u>	<u>24,698,859</u>

## 10 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 construction	
<b>Cost</b>								
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)	-
Balance at 31 December 2016	4,817,416	264,400,501	87,088,451	258,140,587	33,751,400	1,047,926,322	26,450,284	1,722,574,961
Balance at 1 January 2017	4,817,416	264,400,501	87,088,451	258,140,587	33,751,400	1,047,926,322	26,450,284	1,722,574,961
Additions*	-	-	-	-	-	474,246	38,104,870	38,579,116
<b>Balance at 31 December 2017</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>1,048,400,568</b>	<b>64,555,154</b>	<b>1,761,154,077</b>
<b>Accumulated depreciation</b>								
Balance at 1 January 2016	-	19,078,679	21,246,212	-	-	83,771,842	-	124,096,733
Depreciation (Note 28)	-	5,826,350	1,663,042	-	634,956	21,494,411	-	29,618,759
Balance at 31 December 2016	-	24,905,029	22,909,254	-	634,956	105,266,253	-	153,715,492
Balance at 1 January 2017	-	24,905,029	22,909,254	-	634,956	105,266,253	-	153,715,492
Depreciation (Note 28)	-	7,521,053	1,663,041	-	845,069	21,503,738	-	31,532,901
<b>Balance at 31 December 2017</b>	<b>-</b>	<b>32,426,082</b>	<b>24,572,295</b>	<b>-</b>	<b>1,480,025</b>	<b>126,769,991</b>	<b>-</b>	<b>185,248,393</b>
<b>Carrying amounts</b>								
<b>At 31 December 2017</b>	<b>4,817,416</b>	<b>231,974,419</b>	<b>62,516,156</b>	<b>258,140,587</b>	<b>32,271,375</b>	<b>921,630,577</b>	<b>64,555,154</b>	<b>1,575,905,684</b>
At 31 December 2016	4,817,416	239,495,472	64,179,197	258,140,587	33,116,444	942,660,069	26,450,284	1,568,859,469
	(i)	(ii)	(iii)	(iv)	(v)	(iv)	(vi)	

\* It includes finance costs capitalized amounting to QR 1,961,183 (2016: 144,959)

**10 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 20,046,239 (2016: QR 19,292,180) based on a valuation carried out on 10 January 2018 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 4,253,927 (2016: QR 5,473,206) based on a valuation carried out on 5 January 2018 by an external independent valuer based in Dubai, UAE. The original cost of this plot of land was QR 3,775,691.

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.

During the year, the Company and Salam Bounian agreed to transfer back the three plots of lands to Salam Bounian at the original cost of acquisition by the Company.

The fair value of these three plots of land was QR 85,298,105 (2016: QR 86,855,145) based on a valuation carried out on 5 January 2018 by an external independent valuer based in Dubai, UAE. The original cost of this plot of land was 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 58,564,356 (2016: QR 74,257,426) based on a valuation carried out on 5 January 2018 by an external independent valuer based in Dubai, UAE. The net book value of this building is QR 54,255,114 (2016: QR 57,775,041).
- 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 (2016: QR 25,633,406) based on a valuation carried out on 5 January 2018 by an external independent valuer based in Dubai, UAE. The net book value of this building is QR 23,655,172 (2016: QR 24,174,143).
- 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 18,118,812 (2016: QR 21,881,188) based on a valuation carried out on 5 January 2018 by an external independent valuer based in Dubai, UAE. The net book value of this building is QR 17,469,569 (2016: QR 18,440,543).

**10 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 48,742,574 (2016: QR 58,217,822) based on a valuation carried out on 5 January 2018 by an external independent valuer based in Dubai, U.A.E. The net book value of this building is QR 46,895,911 (2016: QR 49,407,090).
- (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 345,970,000 (2016: QR 424,401,000) based on a valuation carried out 31 December 2017 by an external independent valuer. The net book value of this building is QR 62,516,156 (2016: QR 64,179,197).
- (iv) This represents "Salam Plaza" and "The Gate Towers and Mall". The fair value of these properties was QR 1,769,001,000 (2016: QR. 2,023,206,000) based on valuations carried out on 31 December 2017 by an independent external valuer based in Doha – Qatar. The carrying amount of these properties as at 31 December 2017 was QR. 1,288,712,244 (2016: QR 1,312,584,754), out of which QR 108,941,081 (2016: QR 111,784,098) 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 23 (i))
- (v) This represents 10 new villas with a carrying value of QR 32,271,375 (2016: 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 32,110,000 (2016: QR 33,515,000), based on a valuation carried out on 31 December 2017 by an external independent valuer.
- (vi) Capital work-in-progress (property under development) includes furnishing and fit out work carried out for West Bay Medicare with a total contract value of QR 55,000,000.

**11 Equity-accounted investees**

	2017	2016
Interests in joint ventures	57,113,694	52,858,373
Interests in associates	95,036,793	77,762,174
	<u>152,150,487</u>	<u>130,620,547</u>

Share of results from joint ventures and associates are as follows:

	2017	2016
Share of results from joint ventures	4,948,390	2,877,154
Share of results from associates	(1,699,376)	(10,296,065)
	<u>3,249,014</u>	<u>(7,418,911)</u>

**a) Investment in joint ventures**

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

	Ownership		2017	2016
	2017	2016		
4 Homes FZCO L.L.C. (UAE)	70%	70%	56,471,707	52,490,136
Shift Point L.L.C. (Qatar)	51%	51%	641,987	368,237
			<u>57,113,694</u>	<u>52,858,373</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 2017, which are based on the audited / management financial statements.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

In Qatari Riyals

## 11 Equity-accounted investees (continued)

## a) Investment in joint ventures (continued)

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

	2017	2016
Balance at 1 January	52,858,373	53,951,142
Share of results from joint venture, net	4,948,390	2,877,154
Dividends received during the year	(693,069)	(3,969,923)
<b>Balance at 31 December</b>	<b>57,113,694</b>	<b>52,858,373</b>

(iii) 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:

	2017	2016
Total assets	88,678,768	79,081,760
Total liabilities	(14,315,577)	(10,943,294)
Net assets	<b>74,363,191</b>	<b>68,138,466</b>

	2017	2016
Total revenue	<b>129,359,195</b>	126,948,287
Total net profit for the year	<b>7,214,824</b>	4,286,230
Proportion of Group's interest in joint venture's profit	<b>4,948,390</b>	2,877,154

## b) Investment in associates

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

	Ownership		2017	2016
	2017	2016		
Serene Real Estate S.A.L. (Lebanon) (i)	48.99%	48.99%	67,849,511	50,006,161
PC Deal Net W.L.L. (Qatar) (ii)	51%	51%	102,000	102,000
Qatar Aluminum Extrusion Company P.S.C(Qatar) (i)	20%	20%	10,094,729	9,021,472
Canon Office Image Solutions W.L.L. (Qatar) (ii)	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%	4,442,534	4,902,605
Salam Media Cast L.L.C. (UAE) (i)	20%	20%	-	-
Meta Coat W.L.L. (Qatar) (ii)	51%	51%	4,000,000	4,000,000
Technical Field Services Limited (UAE)(i)	50%	50%	2,744,949	2,744,949
Technical Office for Studies and Monitoring Works W.L.L. (Qatar) (iii)	51%	51%	102,000	102,000
Wikaya Contracting W.L.L(Qatar) (ii)	50%	50%	100,000	100,000
Harris Salam W.L.L(Qatar) (ii)	51%	51%	357,000	357,000
Dutchkid FZCO and Just Kidding General Trading Company (UAE) (i)	50%	50%	85,881	1,209,017
Mideco Trading and Contracting L.L.C. (ii)	70%	70%	140,000	140,000
Soula Systems (i)	20%	20%	941,219	1,000,000
My List FZ LLC (i)	5%	5%	364,170	364,170
			<b>95,036,793</b>	<b>77,762,174</b>

The carrying values of the investment in associates have been adjusted for the results of associates for the year ended 31 December 2017, 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) Significant operations have not yet started in these associates.
- (iii) This associate is under the process of liquidation.



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

**Notes to the consolidated financial statements  
For the year ended 31 December 2017**

In Qatari Riyals

**11 Equity-accounted investees (continued)**

**b) Investment in associates (continued)**

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

	<b>2017</b>	2016
Balance at 1 January	77,762,174	94,957,541
Additions (a)	744,000	1,504,170
Additions – transfer from related parties (v)	17,843,350	-
Dividends received	-	(5,017,616)
Transfer to receivables	-	(4,706,978)
Share of results from associates, net (b)	<u>(1,312,731)</u>	<u>(8,974,943)</u>
<b>Balance at 31 December</b>	<b><u>95,036,793</u></b>	<b><u>77,762,174</u></b>

(a) Details of addition to Group's associates are as follows:

i) 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). In 2017, there is an additional capital injection of QR 744,000 in the associate.

ii) 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.

iii) 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.

iv) 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.

v) The Group contributed QR 17,843,350 towards the increase in capital of Serene Real Estate S.A.L. by transferring from related party receivables.

(b) 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.

## 11 Equity-accounted investees (continued)

## b) Investment in associates (continued)

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 - 2017

Associate	1 January 2017	(gain)/loss during the year (i)	31 December 2017
Salam Media Cast LLC (UAE)	1,703,445	426,535	2,129,980
Salam Sice Tech Solutions	751,960	(39,890)	712,070
	<u>2,455,405</u>	<u>386,645</u>	<u>2,842,050</u>

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

Associate	1 January 2016	(gain)/loss during the year (i)	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>

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

	2017	2016
Total share of loss / (gain) applied to investment in associates	1,312,731	8,974,943
Total share of loss / (gain) applied to amount due from related parties	<u>386,645</u>	<u>1,321,122</u>
	<u><b>1,699,376</b></u>	<u><b>10,296,065</b></u>

## 12 Available-for-sale investments

	2017	2016
<u>Quoted equity instruments (i)</u>		
i. Equity Securities – Qatar	15,810,905	19,084,890
ii. Equity Securities – UAE	357,815	385,692
iii. Equity Securities – Jordan	28,664,444	31,330,904
iv. Equity Securities – Bahrain	<u>245,025</u>	<u>226,875</u>
	45,078,189	51,028,361
<u>Unquoted equity instruments (ii)</u>	<u>127,787,146</u>	<u>115,888,874</u>
	<u><b>172,865,335</b></u>	<u><b>166,917,235</b></u>

(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 2017. Management believes that the fair value is not materially different from the carrying value.

Notes to the consolidated financial statements  
For the year ended 31 December 2017

In Qatari Riyals

## 12 Available-for-sale investments (continued)

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

<u>Currencies</u>	<b>2017</b>	<b>2016</b>
i. Qatari Riyals.	15,810,905	19,084,890
ii. US Dollars	111,104,946	99,188,524
iii. Jordanian Dinars	28,923,444	31,589,904
iv. Emirati Dirham	357,815	385,692
v. Saudi Riyals	13,000,000	13,000,000
vi. Bahraini Dinar	3,668,225	3,668,225
	<b><u>172,865,335</u></b>	<b><u>166,917,235</u></b>

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

	<b>2017</b>	<b>2016</b>
Balance at 1 January	166,917,235	169,935,422
Additions during the year	18,701,162	1,398,165
Disposals during the year	(3,825,781)	(1,094,537)
Movement in fair value during the year	(6,480,850)	(2,387,229)
Impairment during the year	(2,446,431)	(934,586)
<b>Balance at 31 December</b>	<b><u>172,865,335</u></b>	<b><u>166,917,235</u></b>

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

	<b>2017</b>	<b>2016</b>
Balance at 1 January	(5,380,236)	(2,993,007)
Effect of change in fair value during the year	(6,480,850)	(2,387,229)
<b>Balance at 31 December</b>	<b><u>(11,861,086)</u></b>	<b><u>(5,380,236)</u></b>

## 13 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.

	<b>2017</b>	<b>2016</b>
Current	116,433,984	106,316,103
Non-current	133,261,200	108,416,590
	<b><u>249,695,184</u></b>	<b><u>214,732,693</u></b>

(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.

	<b>2017</b>	<b>2016</b>
Current	32,016,398	24,699,589
Non-current	31,258,383	15,978,358
	<b><u>63,274,781</u></b>	<b><u>40,677,947</u></b>

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

**Notes to the consolidated financial statements**

**For the year ended 31 December 2017**

In Qatari Riyals

**14 Other assets**

	Current		Non-current	
	2017	2016	2017	2016
Prepayments	27,260,227	28,243,697	4,813,172	3,018,730
Advance payments	122,166,874	106,571,844	-	-
Accrued income	6,992,690	9,673,031	-	-
Others	29,010,399	29,056,624	7,346,043	8,974,597
	<b>185,430,190</b>	<b>173,545,196</b>	<b>12,159,215</b>	<b>11,993,327</b>

**15 Inventories**

	2017	2016
Finished goods and goods for resale	605,073,788	581,894,147
Goods in transit	28,361,768	10,828,687
	633,435,556	592,722,834
Less: provision for slow moving inventories	(59,179,508)	(57,305,748)
	<b>574,256,048</b>	<b>535,417,086</b>

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:

	2017	2016
Balance at 1 January	57,305,748	54,127,433
Provisions during the year (i) (Note 31)	3,917,399	5,148,313
Write-offs/reversals during the year	(2,043,639)	(1,969,998)
<b>Balance at 31 December</b>	<b>59,179,508</b>	<b>57,305,748</b>

(i) An amount of QR 161,431 (2016: QR 312,850) has been allocated to operating cost.

**16 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:

	2017	2016
Revenue	<u>26,332,443</u>	<u>14,365,756</u>
Cost of sales	<u>5,019,057</u>	<u>7,623,929</u>
Interest income	<u>586,310</u>	<u>368,757</u>
Other income	<u>1,805,877</u>	<u>1,969,685</u>
Other expenses	<u>57,761</u>	<u>1,137,296</u>
Intangible assets	<u>-</u>	<u>3,543,232</u>
Financing advance to a related party	<u>8,438,229</u>	<u>26,867,652</u>

**(a) Due from related parties**

	2017	2016
Serene Real Estate S.A.L.	133,235,467	144,074,217
Bassam Abu Issa	456,149	1,123,887
Salam Holdings W.L.L.	2,822,465	5,200,334
Salam Interconsult W.L.L.	130,284	130,284
Burhan International Construction Company W.L.L.	-	11,603,229
PC Dealnet Qatar W.L.L.	-	142,840
Holmesglen Australia	31,027,047	31,013,148
Al Hussam Holding Company	636,205	1,352,112
Salam Sice Tec Solutions W.L.L.	8,377,099	7,160,106
John Steven Ezzo	638,099	127,143
Meta Coat W.L.L.	13,858,267	9,772,834
Real Jubail Investment W.L.L.	479,341	450,100
Technical Field Services	6,305,158	5,352,067
Joseph Makdessi	-	162,087
Mideco Trading and Contracting W.L.L.	11,021,315	4,089,409
Soula Systems W.L.L.	5,400,050	5,400,050
Salam Media Cast – Dubai	144,750	8,854
Salam Media Cast – Doha	-	70,186
Shift Point L.L.C.	-	296,504
Jamal Abu Issa	32,571	13,658
New Image USA	56,332	24,905
Just Kidding	1,270,295	-
Luay Mahmoud Darwish	6,600	-
Jubail Development Company W.L.L.	972,000	-
West Bay Medicare	12,547,845	-
Ecosol	633,250	-
	<u>230,050,589</u>	<u>227,567,954</u>

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

**Notes to the consolidated financial statements  
For the year ended 31 December 2017**

In Qatari Riyals

**16 Related parties (continued)**

**(b) Due to related parties**

	<b>2017</b>	2016
Robert Abi Nader	94,166	94,166
Al Nooh Wood Industries	400,485	491,706
I Telligent Technologies L.L.C.	-	66,985
Just Kidding General Trading Company L.L.C.	-	677,985
Offiteco W.L.L.	40,495	41,163
Canon office Imaging	702,862	927,715
PC Dealnet Qatar W.L.L.	683,903	-
Salam Media Cast – Doha	74,564	-
Burhan International Construction Company W.L.L.	746,438	-
Shift Point L.L.C.	104,167	-
	<u><b>2,847,080</b></u>	<u>2,299,720</u>

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

<b>Short-term and long term benefits</b>	<b>2017</b>	2016
Executive managers' bonus	4,941,597	9,359,571
Proposed Directors' remuneration	-	2,200,000
Salaries and other short-term benefits	33,164,012	36,849,173
Long-term benefits	1,650,176	1,803,085
	<u><b>39,755,785</b></u>	<u>50,211,829</u>

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

	<b>2017</b>	2016
<b>Listed securities</b>		
Equity securities – Qatar	<u><b>1,379,336</b></u>	<u>1,754,712</u>

**18 Trade and other receivables**

	<b>2017</b>	2016
Trade receivables	692,491,304	650,919,972
Provision for doubtful trade receivables	<u>(56,416,920)</u>	<u>(50,179,762)</u>
	636,074,384	600,740,210
Notes receivables	19,551,829	27,886,536
	<u><b>655,626,213</b></u>	<u>628,626,746</u>

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

	2017	2016
Trade receivables not past due (0 to 60 days)	376,846,714	384,939,147
Trade receivables past due and not impaired		
61 to 90 days	38,017,354	12,211,982
91 to 120 days	27,901,070	23,180,892
121 to 365 days	58,917,042	104,654,161
Beyond 1 year	134,392,204	75,754,028
	<u>636,074,384</u>	<u>600,740,210</u>
Trade receivables past due and impaired		
Beyond 121 days	56,416,920	50,179,762
	<u>692,491,304</u>	<u>650,919,972</u>

**Movement of provision for doubtful trade receivables is as follows:**

	2017	2016
Balance at 1 January	50,179,762	49,073,879
Provisions during the year (Note 31)	11,585,540	5,322,849
Write-offs/reversal during the year	(5,348,382)	(1,966,966)
Movement on disposal of a subsidiary	-	(2,250,000)
<b>Balance at 31 December</b>	<u>56,416,920</u>	<u>50,179,762</u>

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.

**19 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:

	2017	2016
Cash balances	2,980,225	3,210,587
Bank balances	206,216,639	264,560,635
Cash and bank balances	<u>209,196,864</u>	<u>267,771,222</u>
Less: bank overdrafts (i)	<u>(118,040,843)</u>	<u>(82,032,035)</u>
<b>Cash and cash equivalents</b>	<u>91,156,021</u>	<u>185,739,187</u>

- (i) Bank overdrafts carried an average interest rates ranging from 3.25% to 5.5% (2016: 3.25% to 5.50% p.a.)

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

Notes to the consolidated financial statements

For the year ended 31 December 2017

In Qatari Riyals

**20 Share capital**

	2017	2016
Authorised, issued and fully paid up capital 114,314,587 shares @ QR 10 each	<u>1,143,145,870</u>	<u>1,143,145,870</u>

**21 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.

**22 Non-controlling interests**

	2017	2016
Balance at 1 January	156,965,999	165,710,252
Acquisition – Additional purchase of subsidiary shares	(1,801,990)	(3,984,740)
Share of profit for the year	10,801,841	5,511,785
Net movement in non-controlling interests	19,816	(521,995)
Disposal of a subsidiary (Note 26)	-	(9,749,303)
<b>Balance at 31 December</b>	<u><b>165,985,666</b></u>	<u>156,965,999</u>

**23 Borrowings**

	Current		Non-current	
	2017	2016	2017	2016
Term loan (a)	436,045,770	521,093,325	1,570,839,497	1,284,811,669
Loan against trust receipt (b)	351,710,558	382,085,918	-	-
Project finance (c)	345,688,891	103,065,471	-	-
	<u><b>1,133,445,219</b></u>	<u>1,006,244,714</u>	<u><b>1,570,839,497</b></u>	<u>1,284,811,669</u>



**23 Borrowings (continued)**

a) Term loan represent the following :

	Final instalment/Maturity	2017	2016
Loan -1 (i)	30 June 2025	1,117,491,043	963,698,866
Loan -2 (ii)	24 March 2023	150,000,000	150,000,000
Loan -3 (iii)	1 April 2021	73,139,433	91,135,703
Loan -4 (iv)	5 October 2017	-	72,830,000
Loan -5 (v)	2 December 2018	31,863,125	63,726,250
Loan -6 (vi)	31 March 2019	28,449,219	51,208,594
Loan -7 (vii)	15 May 2018	35,000,000	50,000,000
Loan -8 (viii)	14 March 2018	50,070,625	36,415,000
Loan -9 (ix)	14 December 2018	18,207,500	36,415,000
Loan -10 (x)	5 October 2017	-	36,415,000
Loan -11 (xi)	30 September 2020	25,138,429	33,736,146
Loan -12 (xii)	12 January 2019	18,207,500	32,773,500
Loan -13 (xiii)	17 July 2017	-	28,748,684
Loan -14 (xxii)	Various dates	22,656,977	27,948,667
Loan -15 (xiv)	27 June 2017	-	18,207,500
Loan -16 (xv)	21 June 2017	-	18,207,500
Loan -17 (xvi)	17 January 2026	54,234,043	17,264,959
Loan -18 (xvii)	29 October 2018	7,582,658	15,049,882
Loan -19 (xviii)	29 June 2019	8,823,529	14,705,882
Loan -20 (xxii)	26 December 2017	-	11,000,000
Loan -21 (xix)	23 January 2019	4,016,674	7,170,570
Loan -22 (xxii)	14 August 2017	-	6,000,000
Loan -23 (xxii)	8 January 2017	-	5,000,000
Loan -24 (xxii)	28 February 2017	-	5,000,000
Loan -25 (xx)	31 March 2018	850,265	4,161,831
Loan -26 (xxi)	31 July 2019	2,605,294	4,104,688
Loan -27 (xxii)	9 November 2018	1,783,706	3,482,154
Loan -28 (xxii)	31 January 2018	110,226	1,498,618
Loan -29 (xxiii)	20 November 2026	247,825,021	-
Loan -30 (xxiv)	30 November 2022	35,000,000	-
Loan -31 (xxv)	16 October 2018	72,830,000	-
Loan -32 (xxii)	3 April 2018	1,000,000	-
		<b>2,006,885,267</b>	<b>1,805,904,994</b>

(i) A term loan of QR 1.2 billion availed as part of the Groups debt management. The loan is re-payable in quarterly instalments of QR 32,500,000 each with a bullet payment for the residual value due in June 2025.

**23 Borrowings (continued)**

- (ii) A term loan of QR 150 million 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 March 2023.
- (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 has been fully settled during the year.
- (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 repayable in May 2018.
- (viii) A term loan of USD 13.75 Million (Equivalent QR 50,070,625) was given to finance working capital requirements of the Group. The loan principal along with interest is re-payable in single instalment due in March 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 has been fully settled during the year.
- (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 has been fully settled during the year.
- (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 every six months. The loan has been fully settled during the year.
- (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 was repayable every six months. The loan has been fully settled during the year.

**23 Borrowings (continued)**

- (xvi) A term loan of QR 67 Million was availed 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 from last draw down date and is repayable in seven years after the grace period, with a final instalment due in January 2026.
- (xvii) A term loan of QR 35 Million was availed for the expansion of business of one the 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 70 million; and
- QR 1.3 billion.

Corporate guarantees of the Group for the following amounts:

- USD 45 million; and
- QR 734 million

First rank mortgage over the following properties (Note 8&10):

- 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 3.25% to 5.04% per annum (2016: 2.75% to 4.5% per annum).

- (xxiii) A Term Loan of QR 247.82 million was availed for new capital expenditure. The loan is re-payable in quarterly instalments in the range of QR 2 to 18 million each with a final instalment due in November 2026. The loan instalments will gradually increase during the tenor of the loan.
- (xxiv) A Term Loan of QR 40 million was availed for capital expenditure. The loan is re-payable in quarterly instalments of QR 2,220,000, each with a final instalment due in November 2022.
- (xxv) A Revolving Term Loan of USD 20 million (Equivalent QR 72,830,000) was availed for General Corporate Purposes. The loan principal is re-payable in a bullet instalment due in October 2018.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017**

In Qatari Riyals

**23 Borrowings (continued)**

## 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 4.5% per annum (2016: 3.20% 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.

## 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 4.50% per annum (2016: 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.

## d) Reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

	2017	2016
Balance at 1 January	2,291,056,383	2,093,729,323
Net movement in borrowings	411,267,150	200,440,634
Disposal on sale of subsidiary (Note 26)	-	(3,258,533)
Finance costs capitalised on qualifying assets (Note 10)	1,961,183	144,959
Finance costs	110,706,580	87,773,804
Finance costs paid	(110,706,580)	(87,773,804)
<b>Balance at 31 December</b>	<b><u>2,704,284,716</u></b>	<b><u>2,291,056,383</u></b>

**24 Employees' end of service benefits**

	2017	2016
Balance at 1 January	72,727,533	68,390,288
Provision during the year	18,026,584	17,769,344
Payments during the year	(15,405,995)	(11,352,413)
Movement on disposal of a subsidiary (Note 26)	-	(2,079,686)
<b>Balance at 31 December</b>	<b><u>75,348,122</u></b>	<b><u>72,727,533</u></b>

**25 Other liabilities**

	Current		Non-current	
	2017	2016	2017	2016
Provision for supplier dues	97,179,113	70,973,888	-	-
Provision for completed jobs	45,577,307	19,011,267	-	-
Provision for social contribution	-	2,855,188	-	-
Dividend payable	17,760,876	10,250,830	-	-
Accrued expenses	32,909,986	55,818,832	-	-
Staff dues and incentives	60,774,090	60,180,128	-	-
Other payables	34,514,049	63,917,740	7,769,253	15,078,453
	<b><u>288,715,421</u></b>	<b><u>283,007,873</u></b>	<b><u>7,769,253</u></b>	<b><u>15,078,453</u></b>

## 26 Subsidiaries

(a) Details of the Group's subsidiaries at 31 December 2017 are as follows:

Name of subsidiary	Principal activities	Ownership interest (%)	
		2017	2016
Salam Technology W.L.L.	Information technology	100	100
I Telligent Technologies L.L.C.	Electronic system installation and maintenance	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 W.L.L.	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	70.75	70.41
Gulf Facility Management W.L.L.	Facility management	70.75	70.41
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 and Stores W.L.L. – Doha	Retail and wholesale of luxury consumer products	100	100
Salam Studio and Stores L.L.C. – Dubai (i)	Retail and wholesale of luxury consumer products	100	100
Salam Studio and Stores W.L.L. – Muscat (iii)	Retail of luxury consumer products	100	100
Salam Arabia Trading Establishment – Kuwait (ii)	General trading	100	100
Salam Trading Enterprises – Jordan	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

## 26 Subsidiaries (continued)

Name of subsidiary	Principal activities	Ownership interest (%)	
		2017	2016
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 (ii)	Oil and gas services	90	90
New Image Building Services Gulf States L.L.C.	Building and facilities management	53.1	52.8
Blink Company W.L.L.	Photography trading and related services	60	60
Diversa S.R.L.	Trading in water equipment	100	100
Qatar Garden W.L.L.	Construction of soft and hard landscaping and supply of related materials	100	100

- (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. and Prevent and Protect L.L.C. – UAE 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.

**26 Subsidiaries (continued)**

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

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

During the year 2016, 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.

	2016
<b>Assets</b>	
Property and equipment (Note 8)	3,777,375
Intangible assets (Note 9)	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 (Note 23)	3,258,533
Employees' end of service benefits (Note 24)	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>	24,373,258
Less non-controlling interests (Note 22)	<u>(9,749,303)</u>
<b>Identifiable net assets disposed</b>	14,623,955
Total consideration for disposal	31,200,000
Profit on disposal of subsidiary (Note 29)	16,576,045
Proceed from sale of subsidiary, net of cash	<u>21,442,653</u>

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

During the year, SILL purchased additional 185,435 (2016: 428,014) shares in Salam Bounian Development Company P.S.C. to become the owner of 38,910,804 (2016: 38,725,369) shares representing 70.75% (2016: 70.41%) of Salam Bounian's capital.

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

	2017	2016
Acquisition – Additional purchase of subsidiary shares	1,801,989	3,984,740
Fair value of the consideration paid	<u>(1,854,350)</u>	<u>(4,280,140)</u>
Loss from additional purchase	<u>(52,361)</u>	<u>(295,400)</u>

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

Notes to the consolidated financial statements  
For the year ended 31 December 2017

In Qatari Riyals

27 Operating revenue	2017	2016
Contract revenue	1,649,247,100	1,629,337,903
Revenue from sale of goods	1,036,606,174	1,081,054,454
Service revenue	55,449,919	57,291,085
Real estate revenue	152,523,720	145,139,363
	<u><b>2,893,826,913</b></u>	<u><b>2,912,822,805</b></u>
28 Operating cost	2017	2016
Contract costs	1,475,433,274	1,340,619,000
Cost of goods sold	740,382,103	733,543,294
Cost of service and other revenue	37,286,285	39,717,291
Real estate costs	8,814,144	8,418,716
Interest charged to projects	15,190,032	7,846,656
Depreciation of investment properties (Note 10)	31,532,901	29,618,759
Depreciation of property, plant and equipment (Note 8(iii))	27,714,982	16,310,411
	<u><b>2,336,353,721</b></u>	<u><b>2,176,074,127</b></u>
29 Investment income	2017	2016
Profit on sale of available-for-sale investments	-	27,865
Unrealised loss on investments at fair value through profit or loss	(375,376)	(310,915)
Interest income	3,434,199	5,388,559
Dividend income	1,418,885	1,736,990
Profit on disposal of a subsidiary (Note 26)	-	16,576,045
	<u><b>4,477,708</b></u>	<u><b>23,418,544</b></u>
Investment income earned on financial assets and non-financial assets, analyzed by category of asset, is as follows:		
	2017	2016
Available-for-sale financial assets	1,418,885	1,764,855
Investments at fair value through profit and loss	(375,376)	(310,915)
Loans and receivables (including cash and bank balances)	3,434,199	5,388,559
Investment income earned on financial assets	<u>4,477,708</u>	<u>6,842,499</u>
Investment income earned on non-financial assets	-	16,576,045
	<u><b>4,477,708</b></u>	<u><b>23,418,544</b></u>
30 Other income	2017	2016
Gain on sale of property, plant and equipment	866,307	224,955
Rent income from sub-lease arrangements	7,208,398	6,395,666
Others	15,084,748	19,456,671
	<u><b>23,159,453</b></u>	<u><b>26,077,292</b></u>



## Notes to the consolidated financial statements

For the year ended 31 December 2017

In Qatari Riyals

**31 General and administrative expenses**

	2017	2016
Office, showroom and warehouse rent	98,436,715	85,060,464
Advertising	3,649,316	5,288,088
Marketing*	22,840,626	32,133,723
Repairs and maintenance	17,012,822	18,686,918
Travel	4,168,208	4,634,538
Communication	6,027,849	5,982,746
Electricity and water	10,024,780	11,164,106
Business development	191,300	1,102,009
Entertainment	1,586,434	1,801,226
Tender fees	2,172,124	951,277
Insurance	3,365,270	3,774,122
Legal and registration charges	8,671,536	7,080,565
Printing and stationery	3,700,190	3,867,046
Professional fees	2,027,936	2,856,225
Meeting and conference	203,372	430,569
Fuel	3,583,595	3,181,050
Subscription and catalogues	585,493	1,136,139
Transportation	2,344,153	2,305,318
Donations	1,033,372	2,160,234
Provision for doubtful trade receivables (Note 18)	11,585,540	5,322,849
Provision for slow moving inventories (Note 15)	3,755,968	4,835,463
Property, plant and equipment written off	2,674,082	3,333,012
Intangible assets written off (Note 9)	25,788	-
Others	5,382,736	8,208,190
	<u>215,049,205</u>	<u>215,295,877</u>

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

	2017	2016
Marketing expenses incurred during the year	47,286,868	47,606,610
Contribution granted from suppliers	<u>(24,446,242)</u>	<u>(15,472,887)</u>
	<u>22,840,626</u>	<u>32,133,723</u>

**32 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. No such appropriation has been made as the Group has incurred a loss during the year.

**33 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.

	2017	2016
(Loss) / Profit for the year attributable to Owners of the Company	<u>(100,723,400)</u>	<u>114,207,525</u>
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>(0.88)</u>	<u>1.00</u>

**34 Proposed cash dividend**

The cash dividend for 2016 amounting to QR 91,451,670 were approved by the shareholders at the General Assembly held on 25 February 2017.

**35 Contingent liabilities and commitments**

	2017	2016
Letters of credit	<u>283,165,351</u>	<u>211,505,118</u>
Letters of guarantee	<u>773,238,142</u>	<u>816,491,986</u>

*Operating leases commitments*

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

	2017	2016
Within one year	84,475,406	83,979,747
After one year but not more than five years	219,749,145	248,490,464
More than 5 years	<u>66,725,390</u>	<u>12,390,513</u>
	<u>370,949,941</u>	<u>344,860,724</u>

**36 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.

## 36 Operating segments (continued)

(a) In terms of operating sectors :

2017	Contracting	Energy and Power	Consumer and luxury products	Technology and communication	Real estate and investments	Total
<b>Operating income</b>						
From external customers	564,849,851	402,573,779	978,685,154	763,709,909	184,008,220	2,893,826,913
Inter-segment	74,599,234	70,959,485	785,063	10,793,980	55,546,495	212,684,257
<b>Total operating income</b>	<b>639,449,085</b>	<b>473,533,264</b>	<b>979,470,217</b>	<b>774,503,889</b>	<b>239,554,715</b>	<b>3,106,511,170</b>
<b>Segment results</b>	<b>(68,619,058)</b>	<b>25,784,528</b>	<b>(104,142,258)</b>	<b>(15,952,770)</b>	<b>73,007,999</b>	<b>(89,921,559)</b>
<b>Assets and liabilities</b>						
Segment assets	724,110,722	473,046,110	956,843,128	755,035,997	2,503,901,427	5,412,937,384
Segment liabilities	399,375,391	348,987,864	868,098,881	582,514,050	1,568,476,299	3,767,452,485
<b>Other segment information</b>						
Capital expenditures:						
Tangible assets	7,485,072	9,196,169	93,363,361	15,032,145	52,712,737	177,789,484
Intangible assets	882,427	-	7,054,586	-	3,474,354	11,411,367
	<b>8,367,499</b>	<b>9,196,169</b>	<b>100,417,947</b>	<b>15,032,145</b>	<b>56,187,091</b>	<b>189,200,851</b>
Depreciation	11,480,946	8,541,330	48,209,564	16,503,162	47,911,369	132,646,371
Amortisation	386,842	466,851	1,745,960	63,014	451,005	3,113,672

## 36 Operating segments (continued)

2016	Contracting	Energy and Power	Consumer and luxury products	Technology and communication	Real estate and investments	Total
Operating income						
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	52,508,140	139,518,808
Total operating income	728,068,688	487,590,010	1,015,062,959	596,802,177	224,817,779	3,052,341,613
Segment results	(2,581,860)	22,418,967	(30,342,699)	66,253,303	63,971,599	119,719,310
Assets and liabilities						
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
Other segment information						
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
	9,195,884	7,327,369	90,317,880	5,999,941	89,418,554	202,259,628
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

## 36 Operating segments (continued)

(b) In terms of geographic locations :

	2017				2016			
	Qatar	United Arab Emirates	Others	Total	Qatar	United Arab Emirates	Others	Total
<b>Operating income</b>								
From external customers	2,354,031,071	398,016,575	141,779,267	2,893,826,913	2,323,322,899	428,394,658	161,105,248	2,912,822,805
Inter-segment	178,351,595	31,681,583	2,651,079	212,684,257	122,680,758	16,835,155	2,895	139,518,808
<b>Total operating income</b>	<b>2,532,382,666</b>	<b>429,698,158</b>	<b>144,430,346</b>	<b>3,106,511,170</b>	<b>2,446,003,657</b>	<b>445,229,813</b>	<b>161,108,143</b>	<b>3,052,341,613</b>
<b>Segment results</b>	<b>(23,121,168)</b>	<b>(54,129,189)</b>	<b>(12,671,202)</b>	<b>(89,921,559)</b>	<b>153,353,566</b>	<b>(25,992,699)</b>	<b>(7,641,557)</b>	<b>119,719,310</b>
<b>Assets and liabilities</b>								
Segment assets	4,344,456,462	726,717,255	341,763,667	5,412,937,384	4,122,896,637	804,201,820	318,571,245	5,245,669,702
Segment liabilities	3,569,229,458	176,493,533	21,729,494	3,767,452,485	3,163,297,102	221,212,125	25,986,962	3,410,496,189
<b>Other segment information</b>								
Capital expenditures:								
Tangible assets	173,401,427	3,418,405	969,652	177,789,484	132,826,403	56,782,385	270,617	189,879,405
Intangible assets	10,699,893	124,073	587,401	11,411,367	12,378,366	1,857	-	12,380,223
	184,101,320	3,542,478	1,557,053	189,200,851	145,204,769	56,784,242	270,617	202,259,628
Depreciation	107,998,430	21,249,626	3,398,315	132,646,371	88,733,084	21,161,704	8,972,052	118,866,840
Amortisation	2,922,455	79,362	111,855	3,113,672	3,483,287	94,130	-	3,577,417

During the year, the management decided to classify the geographic segment based on the location of the assets and operations and the comparative figures are reclassified to match with current year figures.

**37 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:

<b>31 December 2017</b>	<b>Less than 90 days</b>	<b>90-365 days</b>	<b>Over 365 days</b>	<b>Total</b>
Loans to associate companies	-	-	22,239,377	22,239,377
Other assets (excluding prepayments, advance payments and others)	6,992,690	-	-	6,992,690
Due from related parties	230,050,589	-	-	230,050,589
Retention receivables	-	116,433,984	133,261,200	249,695,184
Trade and other receivables - net	414,864,068	86,818,112	134,392,204	636,074,384
Bank balances	206,216,639	-	-	206,216,639
	<b>858,123,986</b>	<b>203,252,096</b>	<b>289,892,781</b>	<b>1,351,268,863</b>

<b>31 December 2016</b>	<b>Less than 90 days</b>	<b>90-365 days</b>	<b>Over 365 days</b>	<b>Total</b>
Loans to associate companies	-	-	24,696,029	24,696,029
Other assets (excluding prepayments, advance payments 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 - net	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>

## 37 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 2017

**Non-derivative financial liabilities**

	Carrying amounts	Gross un-discounted contractual cash out flows	Less than 1 year	Above 1 year
Borrowings	2,704,284,716	(2,704,284,716)	(1,133,445,219)	(1,570,839,497)
Retention payables	63,274,781	(63,274,781)	(32,016,398)	(31,258,383)
Other liabilities excluding provisions	243,960,184	(243,960,184)	(243,138,114)	(822,070)
Due to related parties	2,847,080	(2,847,080)	(2,847,080)	-
Bank overdrafts	118,040,843	(118,040,843)	(118,040,843)	-
Notes payable	4,148,144	(4,148,144)	(4,148,144)	-
Trade and other payables	301,136,828	(301,136,828)	(301,136,828)	-
	<b>3,437,692,576</b>	<b>(3,437,692,576)</b>	<b>(1,834,772,626)</b>	<b>(1,602,919,950)</b>

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>3,019,391,334</b>	<b>(3,019,391,334)</b>	<b>(1,709,379,721)</b>	<b>(1,310,011,613)</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 4,507,819 (2016: QR 5,102,836) 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 4,507,819 (2016: QR 5,102,836).

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 137,934 (2016: QR 175,471) 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 137,934 (2016: QR 175,471).

## 37 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	
	2017	2016
<b>Non-interest bearing instruments</b>		
Bank balances	87,690,440	107,610,251
<b>Fixed rate instruments</b>		
Bank balances	97,473,205	104,110,693
Bank loans	(82,795,407)	(136,166,968)
Net financial asset / liabilities	14,677,798	(32,056,275)
Average interest rate (p.a.)	2.5%-3.1%	3.75%-4.50%
<b>Variable rate instruments</b>		
Bank balances	21,052,994	52,839,691
Bank loans	(2,621,489,309)	(2,154,889,415)
Bank overdrafts	(118,040,843)	(82,032,035)
Net financial liability	(2,718,477,158)	(2,184,081,759)
Average interest rate (p.a.)	3.25%-5.04%	3.25%-4.50%

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 2017.

	Profit or (loss)		Profit or (loss)	
	2017		2016	
	50 bps Increase	50 bps Decrease	50 bps Increase	50 bps Decrease
Variable rate financial liabilities	(13,592,386)	13,592,386	(10,920,409)	10,920,409

## (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.



**37 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 2016.

The capital structure of the Group consists of debt, which includes the borrowing disclosed in note 23, 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:

	2017	2016
Debt (a)	2,822,325,559	2,373,088,418
Cash and bank balances (Note 19)	<u>(209,196,864)</u>	<u>(267,771,222)</u>
<b>Net debt</b>	<b><u>2,613,128,695</u></b>	<b><u>2,105,317,196</u></b>
<b>Equity (b)</b>	<b><u>1,645,484,899</u></b>	<b><u>1,835,173,513</u></b>
<b>Net debt to equity</b>	<b><u>158.81%</u></b>	<b><u>114.72%</u></b>

(a) Debt is defined as long and short term borrowing, as detailed in note 23 and 19.

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

**38 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.

Notes to the consolidated financial statements  
For the year ended 31 December 2017

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**38 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.

**39 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. The Court of Cassation has rendered a final judgment in favour of the Company on 6 June 2017 against the Court of Appeal ruling.

**40 Comparative figures**

The corresponding figures presented for 2016 have been reclassified where necessary to preserve consistency with the 2017 figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative year.